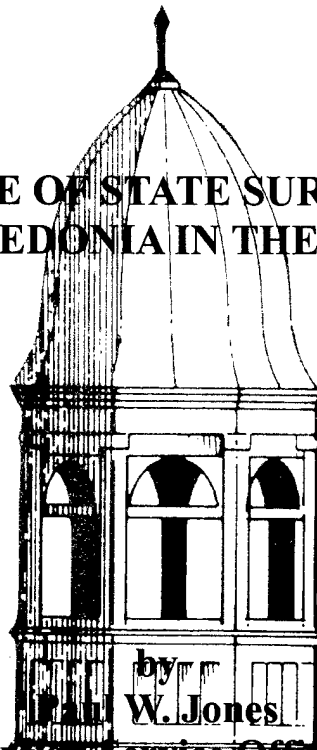


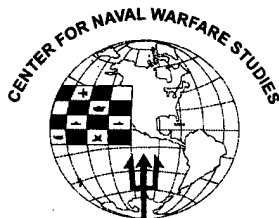
**The Center for Naval  
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**A CASE OF STATE SURVIVAL:  
MACEDONIA IN THE 1900's**



**by Paul W. Jones**  
**Foreign Service Officer**  
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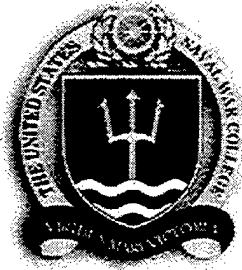
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A Case of State Survival:  
Macedonia in the 1990s

By

Paul W. Jones  
Foreign Service Officer, Department of State

This paper was completed as an independent research project in the Advanced Research Department, Center for Naval Warfare Studies, Naval War College. It is submitted to the faculty of the Naval War College in partial satisfaction of the academic requirements for the degree of Master of Arts in National Security and Strategic Studies. As an academic study completed under faculty guidance, the contents of this paper reflect the author's own personal views and conclusions, based on independent research and analysis. They do not necessarily reflect current official policy in any agency of the U.S. government.

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### **Note to the Reader**

This paper is based on interviews, published materials, and my experience as Deputy Chief of Mission of the U.S. Embassy in Skopje, Macedonia from September 1996 through June 1999. The analysis of that period is largely based on interactions with people involved in the events discussed. Virtually all of the people referred to throughout the paper are personal acquaintances.

One goal of this paper was to write down what I consider to be essential background for those in the U.S. government working on Macedonian issues. I also offer my own views of Macedonia, which I hope will provoke some debate.

I would like to thank all of those who took the time to discuss this project with me, whether in interviews or less formally, though they will remain nameless according to diplomatic discretion. I will name and thank my two advisors, Professor Andrew Ross and Professor Peter Liotta for their encouragement and help. Finally, I would like to thank the Naval War College, particularly the Advanced Research Department and the Center for Naval Warfare Studies Research, for providing the opportunity and the funding for the project, which included a return trip to Macedonia for interviews. Of course, all errors and omissions are my responsibility.

Paul W. Jones  
Newport  
June 2000

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## **Executive Summary**

Macedonia is a well-understood danger, but a poorly understood success. Observers have questioned its odds for survival since independence in 1991, worrying most about tensions between its ethnic Macedonian majority and ethnic Albanian minority. Many predicted a 'doomsday scenario' of ethnic violence in Macedonia, originating internally or triggered by a flood of refugees from Kosovo, leading to a regional conflagration. The attitudes of Macedonia's neighbors, grounded in a history of competition over Macedonia, heightened concerns. Serbia threatened to reestablish hegemony, if not outright occupation. Greece imposed trade sanctions and led an international campaign that ostracized Macedonia from most international organizations and bilateral relationships, including with the United States, for four years. Bulgaria laid claim to the nationality of ethnic Macedonians, while Albania claimed to speak for its ethnic Albanians.

Macedonia nevertheless survived. It survived the South-Eastern Europe of the 1990s, including war in Croatia, Bosnia and Kosovo, political-economic meltdowns in Albania and Bulgaria, authoritarianism in Serbia and nationalist intransigence in Greece. Macedonia survived its tumultuous domestic politics, which saw several violent confrontations between police and ethnic Albanians, boycotts of elections and referenda, accusations of fraud and corruption, and an economy that contracted so severely after independence that it never even approached Yugoslav levels of production by the end of the decade. Most remarkably, Macedonia survived the decade with its democratic institutions founded at independence intact, together with a level of economic stability, if not prosperity, unrivalled in the Balkans, except by much richer Slovenia.

How did this happen? This paper argues that a group of Macedonian politicians and intellectuals, under the aegis of President Gligorov, implemented a coherent strategy of political and economic openness that effectively confronted the challenges to Macedonia's survival. The strategy was so compelling that opposition parties generally followed it after winning elections in 1998, though whether they will continue to do so is open to question. The strategy succeeded because it knit together into a coherent whole policies that helped an ethnically divided state survive. The strategy's major political elements were: establishing a unitary state based on individual rights; maintaining multiethnic government; marginalizing nationalists; relating constructively with neighbors, particularly those with ethnic minorities inside Macedonia (Albania, Serbia and Kosovo); involving Westerners in ethnic and security issues; and integrating with Euro-Atlantic institutions, including NATO and the EU. Major economic elements were: quickly establishing an independent monetary system; controlling inflation; liberalizing trade; attracting foreign investment; and cautiously privatizing enterprises.

International support, particularly from the United States, was crucial to Macedonia's survival and was an integral part of its strategy. The United States made its first significant commitment of troops to UN peacekeeping in Macedonia, as part of the United Nations' first preventive deployment, designed to prevent conflict before it occurred. Yet the United States and the international community refused to recognize Macedonia as a fully sovereign state, deferring to Greece, even as they praised Macedonia's efforts to establish a multiethnic state according to international minority rights standards. The lack of normal diplomatic engagement with Macedonia early on meant that the United States never fully understood Macedonia's strategic orientation,



why it was vital to Macedonia's survival, nor its potential contribution to security in the region. The legacy of Macedonia's isolation at birth was still apparent during the Kosovo crisis, which Macedonia survived because of, but also in spite of, the international community, and led to continuing questions over Macedonia's future.

The Macedonia case has implications for several important issues confronting U.S. foreign policy, as well as for the literature on ethnic conflict and preventive diplomacy. U.S. foreign policy analysts should analyze a range of factors to assess a country's vulnerability to ethnic conflict, many of which are open to influence. The literature on ethnic conflict points to many of these factors, but is far from prescribing which are most important in any individual case. Pivotal in Macedonia's case were the history of ethnic interaction, the informal 'ethnic contract,' ethnic perspectives on the future, regional influences, and international political and economic support. Macedonia's strategy of political and economic openness offered opportunities for both major ethnic groups--hope instead of fear of the future. The United States may be able to encourage such a strategy in other ethnically divided countries.

The Macedonia case clearly demonstrates that preventive diplomacy can work, at least where the United States actively supports it. Rather than 'moderate' domestic leaders, as proponents suggest, preventive diplomacy may require domestic leaders who are willing to waive sovereignty to preserve their state.

The case also indicates a need to strengthen the emerging international norm that states must demonstrate commitment to protect minority rights before enjoying normal diplomatic interactions. Macedonia adopted and complied with an extraordinary array of international conditions and conventions since independence, a policy that gradually

acquired deep roots among virtually all political parties, before the international community recognized it. As one observer has put it, "Perhaps the birth of a state should not be too easy."

Once international standards on minority rights have acquired domestic roots, the international community should work with domestic leaders to develop exit strategies for international monitoring missions. Local leaders willing to take responsibility for managing ethnic discord should be encouraged, not forever doubted. Exit strategies could be contingent on continued progress in affirmative action policies or other measures of commitment to minority rights.

Finally, the United States has a vital bilateral role to play in ethnically divided countries such as Macedonia, notwithstanding its multilateral leadership. The lack of a normal bilateral embassy in Macedonia for its first five formative years meant that the United States missed opportunities to understand fully and encourage its strategic direction. Furthermore, the Macedonia case indicates that the United States, as the only major multicultural power, is better equipped to respond constructively to ethnic discord than its European allies.

## Chapter I

### Introduction

As the first U.S. Ambassador to Macedonia toured a household appliance factory soon after arriving in 1996, five years after the country's independence, the factory's director asked, "do you think we will make it?" The factory was an ailing monstrosity designed to serve the lost Yugoslav market, one of a dozen the World Bank was insisting should be closed or sold. As they stepped out into a courtyard, the Ambassador, Christopher R. Hill, began gently, "If you get that electric motor contract in Turkey..." The director interrupted to correct the misunderstanding: "No, I meant the country. Will Macedonia make it?"<sup>1</sup>

Macedonia is a well-understood danger, but a poorly understood success. Western observers questioned the new state's odds of survival in 1992, and raised alarm bells that ethnic tensions between the slavic Macèdonian majority and large Albanian minority could turn violent, particularly in 1995, 1998 and 1999, when some 300,000 Kosovar refugees poured across Macedonia's border.<sup>2</sup> Many predicted a Macedonian 'doomsday scenario,' which Special Envoy Richard Holbrooke called attention to in 1998. The

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<sup>1</sup> As told to the author. Ambassador Hill was a 1994 graduate of the Naval War College.

<sup>2</sup> In 1992, Duncan Perry, a sophisticated observer of Macedonia and frequent contributor to journals, gave Macedonia "at best an even chance of surviving." See "The Republic of Macedonia and the Odds of Survival," RFE/RL Research Report, November 20, 1992, 19. Perry has been generally optimistic on Macedonia, except in 1998, when he reported that "Macedonia's future is in jeopardy" due to interethnic discord, a political system "mired in scandals and corruption," a "fragile economy," and a "weak" security apparatus. See "Destiny on Hold: Macedonia and the Dangers of Ethnic Discord," Current History, March 1998, 125. In a Foreign Affairs article in 1995, Misha Glenny called attention to Macedonia by comparing its problems to those that destroyed Bosnia, adding that "the most likely cause of instability in the region [is] relations between ethnic Albanians and Macedonians inside Macedonia." See Misha Glenny, "Heading Off War in the Southern Balkans," Foreign Affairs, May/June 1995, Academic Universe, Lexis-Nexis (March 27, 2000). On the stresses of Kosovar refugees, see Jonathan Alter and Carla Power, "The Next Balkan Domino?" Newsweek, May 31, 1999, Academic Universe, Lexis-Nexis (February 7, 2000)

scenario foresaw the outbreak of violence between Macedonia's ethnic Macedonians and Albanians, either as a result of internal tensions or a Serbian crackdown in Kosovo which would lead to Albanian refugees pouring into Macedonia, perhaps with Serbian forces in pursuit of Kosovar guerillas. Macedonia's neighbors would then intervene, reliving the late nineteenth and early twentieth century battles for influence over this keystone of the south Balkans.<sup>3</sup> Ironically, the United Nations High Commissioner for Refugees and NATO were unprepared for the flow of refugees that occurred in 1999,<sup>4</sup> but the chain reaction of intervention by neighbors did not come to pass.

The smallest and weakest of the former Yugoslav republics, Macedonia did not seek independence until it became obvious that Serbian President Slobodan Milosevic would dominate what was left of Yugoslavia, after Slovenia and Croatia seceded. Once freed of Belgrade, Macedonia was extraordinarily vulnerable to stronger neighbors. Milosevic made an apparently serious proposal to divide Macedonia with Greece in 1992.<sup>5</sup> Many Macedonians considered this as among the most dangerous moments in their short history. Greek Prime Minister Mitsotakis thought he could get the upstart country to change its name, flag and constitution, which Greece considered as infringements on its intellectual property rights to ancient Macedonia, by closing access to the Port of Thessaloniki. For their part, Bulgaria and Albania claimed special rights to Macedonia's two dominant ethnic groups even as they recognized Macedonia's

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<sup>3</sup> All of the above-cited sources discuss the 'doomsday scenario,' as do most studies of Macedonia. For a particularly detailed discussion, see, Stuart J. Kaufman, "Preventive Peacekeeping, Ethnic Violence, and Macedonia," Studies in Conflict & Terrorism, July/September 1996, especially, 234-41.

<sup>4</sup> Morton Halperin and James Michel, "Interagency Review of U.S. Government Civilian Humanitarian & Transition Programs," U.S. Department of State, January 2000, in National Security Archive Electronic Briefing Book No. 30, ed. Thomas S. Blanton  
<http://www.gwu.edu/~nsarchiv/NSAEBB30/NSAEBB30/index.html> (May 11, 2000), 4.

<sup>5</sup> Alice Ackerman, Making Peace Prevail: Preventing Violent Conflict in Macedonia (Syracuse University Press 2000), 72.

independence and partially ameliorated the effects of Greece's embargo with stepped up east-west trade. Bulgaria thought the majority Slavic ethnic Macedonians were wayward Bulgarians, while Albania considered the Albanians of Western Macedonia to be part of the greater Albanian nation, together with Kosovo. Not without some justification, Balkan neighbors generally considered the Republic of Macedonia an artificial creation of former Yugoslav leader Josip Broz Tito.

Intertwined with these formidable external threats, Macedonia faced the challenge of establishing the only self-avowed multiethnic state in a region where a nineteenth century concept of nation-state thrived. Lacking the power to repress its large Albanian minority even if it wanted to, the new state had to establish institutions which accommodated ethnic Albanians, who did not welcome a new international border dividing them from their Kosovar kin. At the same time, the state could not ignore the aspirations of ethnic Macedonians, who jealously protected the new state that allowed them to live for the first time free of foreign domination. Macedonia had to resolve these competing demands in an atmosphere of Albanian leaders' intense distrust of the new state, and ethnic Macedonians' equally intense social discrimination against Albanians. This atmosphere had reached almost toxic levels during the 1980s, when nationalism afflicted most of the Balkan's ethnic groups.

But like the Mark Twain of countries, reports of Macedonia's death have been greatly exaggerated. Macedonia survived the South-Eastern Europe of the 1990s, including war in Croatia, Bosnia and Kosovo, political-economic meltdowns in Albania and Bulgaria, authoritarianism in Serbia and nationalist intransigence in Greece. Macedonia also survived its tumultuous domestic politics, which saw several violent

confrontations between police and ethnic Albanians, boycotts of elections and referenda, accusations of fraud and corruption, and an economy that contracted so severely early on that it never even approached Yugoslav levels of production after three years of growth. Most remarkably, Macedonia survived the decade with its democratic institutions founded at independence intact and with a measure of economic stability, if not prosperity, unrivalled in the Balkans, except by much richer Slovenia.

How did this happen? This paper argues that a group of Macedonian politicians and intellectuals, supported by a network of journalists, businesspeople and professionals, developed and implemented a coherent strategy of political and economic openness that effectively confronted the challenges to Macedonia's survival. The strategy was developed under the aegis of President Gligorov, but survived a political realignment that followed the assassination attempt on him in October 1995. The strategy was so compelling that opposition parties generally followed it after winning elections in 1998, though whether they will continue to do so is open to question. The strategy succeeded because it knit together into a coherent whole policies that helped an ethnically divided state survive.

Macedonia's strategy was decidedly pro-Western, designed to attract international support to counter pressures from neighbors and centrifugal domestic ethnic forces. International support, particularly in the form of the United Nations' first preventive deployment of peacekeepers and the United States' first significant contribution of troops to UN peacekeeping, was vital to the strategy's success. Yet the international community hesitated to recognize Macedonia when confronted by Greek opposition as well as uncertainty over how a small multiethnic state just east of the Cold War divide would fit

into the emerging European architecture. This paper will focus particularly on the role of the United States, which deferred to Europe and its domestic Greek lobby over Macedonian recognition until it finally established full diplomatic relations in 1996. The lack of normal diplomatic engagement with Macedonia early meant that the United States never fully understood Macedonia's strategic orientation, why it was vital to Macedonia's survival, or its potential contribution to security in the region. The legacy of Macedonia's isolation at birth was still apparent during the Kosovo crisis, which Macedonia survived because of, but also in spite of, the international community, and the continuing questions over Macedonia's future.

Macedonia's strategy was designed to establish a multiethnic state peacefully in a region overflowing with nationalism. Western policymakers were aware that Macedonia was the only Balkan country with a multiethnic government, was open to international preventive diplomacy and had a president they respected. Less well appreciated were other elements integral to Macedonia's strategy: establishing a unitary state based on individual rights, marginalizing nationalists, using relations with neighbors to help maintain interethnic peace, opening the economy to international trade and investment, engaging Westerners on ethnic and security issues, and becoming full members in Euro-Atlantic institutions, including the EU and NATO. Undervaluing these dynamics, the United States saw Macedonia through the prism of preventive diplomacy and crisis management. The European Union's "regional approach," which prevented Macedonia's progress toward EU membership until Serbia, Croatia, Bosnia and Albania also made progress, directly undercut Macedonia's strategy.

The paper begins with a review of literature on ethnic conflict and preventive diplomacy to provide an analytical framework for assessing Macedonia's strategy and Western, particularly U.S., responses to it. The paper then traces the development and implementation of Macedonia's political and economic strategy through three periods in the 1990s: 1991-1995, 1996-1998, and 1999. It offers conclusions on the case's implications for U.S. foreign policy and for the theoretical literature.



## **Chapter II**

### **Theoretical Framework**

Not all threats to Macedonia's survival were ethnic. Had Macedonia been an ethnically homogenous republic, like Slovenia, state formation, democratic market transition and relations with neighbors would still have posed enormous challenges. Yet the overwhelming concern within and outside Macedonia during the 1990s was that disputes could escalate into ethnic violence between Macedonia's two dominant ethnic groups, Slavic Macedonians and Albanians. It is therefore useful to survey briefly the expansive literature on ethnic conflict, beginning with the conceptual basis of ethnicity and ethnic conflict, followed by dynamic and structural models that help explain the outbreak of ethnic violence and concluding with domestic and international approaches to preventing ethnic conflict.

Proactive international action to prevent violent conflict, including ethnic conflict, in the 1990s has been explored in the literature on preventive diplomacy. Since the United States and other international actors consciously relied on preventive diplomacy in Macedonia, it is also useful to review briefly the theory of preventive diplomacy. These two literatures provide an analytical foundation for evaluating Macedonian and international responses to threats to Macedonia's survival.

#### **Ethnic Conflict**

There are two basic opposing theories for explaining ethnic conflict. The 'primordial' approach views ethnic identity as the fundamental factor determining

individual and collective behavior. Nationalism, in this view, is a natural phenomenon based on ethnicity. Conflict between ethnic groups is a fairly intractable outcome of competing ethnic interests. This approach heavily influenced Robert Kaplan's analysis in Balkan Ghosts<sup>6</sup> and fits with Samuel Huntington's theory of a "Clash of Civilizations,"<sup>7</sup> two works that influenced policymakers in the early 1990s.

The strengths of the primordial theory are in explaining the irrationality and intensity of ethnic conflict and its ability to spread quickly almost to entire populations. The primordial theory does not, however, explain well why ethnic conflict occurs in some cases but not in others, nor why the trend in ethnic conflict has swung upwards since the 1960s, particularly during the 1990s. Huntington cites several global trends to explain the growth in ethnic conflict, such as increasing contact between civilizations, a revival of religious faith and resistance to Western power, but many observers remain unconvinced that a clash of civilizations is at the root of ethnic conflict.<sup>8</sup> By considering ethnicity as the determinant in conflict, the primordial theory leaves little space for management or resolution of ethnic conflict. Many visitors to Macedonia, upon observing ethnic Macedonians' social discrimination against ethnic Albanians, quickly ascribe to a primordial approach. They often revise their view after appreciating the roles of Macedonia's elites and the international community in managing ethnic conflict.

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<sup>6</sup> "The more obscure and unfathomable the hatred, and the smaller the national groups involved, the longer and more complex the story seemed to grow." Robert D. Kaplan, Balkan Ghosts: A Journey through History (New York: Vintage 1993), 70.

<sup>7</sup> "The fundamental source of conflict... will not be primarily ideological or primarily economic. The great divisions among humankind and the dominating source of conflict will be cultural." Samuel P. Huntington, "The Clash of Civilizations?" Foreign Affairs 72, no. 3, 1993, 23.

<sup>8</sup> See Ted Robert Gurr, "Peoples Against States: Ethnopolitical Conflict and the Changing World System," International Studies Quarterly 38, 1994, 348, 350, 356, 358; Neil DeVotta, "Review Article: Arresting the post-Cold War Sisyphean Quandary: Ethnonationalism, Internal Conflicts, and the Quest for Conflict Resolution," Journal of Third World Studies, Spring 2000, ProQuest (May 11, 2000), 2; Donald L. Horowitz, Ethnic Groups in Conflict (University of California Press 1985), 140.

The instrumental approach, on the other hand, sees ethnicity as one among many group identities that may be used by political elites to mobilize political support. Ethnic conflict arises out of political competition between leaders of mobilized ethnic groups. Among several strains within the instrumental approach, rational choice theorists consider that behavior is a function of preferences, within structural constraints, and is therefore generally predictable. International relations realists have applied concepts of conflict between states, such as the security dilemma, to explain the outbreak of ethnic conflict.<sup>9</sup>

The instrumental approach highlights the role of elites, which most observers see as crucial to ethnic conflict, and describes the political bargaining that usually occurs before the outbreak of ethnic violence. Its weakness is that by viewing ethnicity as no more important than any other kind of identity, the instrumental approach fails to explain why ethnic conflicts are so intractable. As David Horowitz observed, "A bloody phenomenon cannot be explained by a bloodless theory."<sup>10</sup> Some scholars are therefore skeptical of applying rational choice and international relations theories to ethnic conflict.<sup>11</sup> Others see a void in explaining ethnic conflict that needs to be filled somehow.<sup>12</sup>

There are several important variations on these two basic theories. The modernist approach views present day ethnic nationalism as an ideological construct with origins in the eighteenth and nineteenth century rise of the nation state. This Euro-centric approach

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<sup>9</sup> See DeVotta, 3; Gurr, 348; Barry R. Posen, "The Security Dilemma and Ethnic Conflict," Survival, Spring 1993, 38; Stephen Van Evera, "Hypotheses on Nationalism and War," International Security, Spring 1994, 5-39.

<sup>10</sup> Horowitz, 140.

<sup>11</sup> *Ibid.*, 95; Gurr, 348.

<sup>12</sup> For examples, see David A. Lake and Donald Rothchild, eds., The International Spread of Ethnic Conflict: Fear, Diffusion, and Escalation (Princeton University Press 1998) and Van Evera.

has difficulty explaining why the most intractable ethnic conflicts seem to occur in the least modern regions of the world, such as Africa. Nevertheless, it contributes to the debate the dynamic impact of modernization, transition and globalization on ethnic conflict.<sup>13</sup> Another emerging variation is the constructivist approach, which seeks to blend the primordial and instrumental theories. The constructivist approach views ethnicity as a social phenomenon that is firmly rooted, but mutable over time as social interactions change.<sup>14</sup> This is but one recent effort to explain the complex relationship between elites and mobilized ethnic groups.<sup>15</sup>

For several reasons, an instrumental approach is useful for analyzing ethnic discord in Macedonia. First, elites of both major ethnic groups have been strong and relatively stable since independence and have engaged in considerable political bargaining, often with the help of international third parties. Second, the example of war in other Yugoslav republics led ethnic elites to control primordial tendencies. Finally, the strong desire by both major ethnic groups for integration with the Euro-Atlantic community limited the expression of ethnically-based conflict and channeled conflict into policy options within international norms of minority and human rights. The continuing strength of regional Albanian nationalism and the depth of social discrimination in Macedonia, however, are reminders that ethnicity remains a powerful, if not fundamental, source of identity, at least in the medium term.

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<sup>13</sup> See Horowitz, 99, 102-3; DeVotta, 2.

<sup>14</sup> Lake and Rothchild, 6.

<sup>15</sup> For others, see Horowitz, 228; Gurr, 352)

In an excellent recent compilation, The International Spread of Ethnic Conflict,

David A. Lake and Donald Rothchild elaborate several concepts based on the constructivist variant of the instrumental approach.<sup>16</sup> At base, they argue that

ethnic conflict is most commonly caused by collective fears of the future. As groups begin to fear for their physical safety, a series of dangerous and difficult-to-resolve strategic dilemmas arise that contain within them the potential for tremendous violence. As information failures, problems of credible commitment, and the security dilemma take hold, the state is weakened, groups become fearful, and conflict becomes likely. Ethnic activists and political entrepreneurs, operating within groups, reinforce these fears of physical security and cultural domination and polarize society. Political memories, myths, and emotions also magnify these fears, driving groups further apart. Together, these between group and within group strategic interactions produce a toxic brew of distrust and suspicion that can explode into murderous violence, even the systematic slaughter of one people by another.<sup>17</sup>

The outbreak of ethnic conflict is thus based less on current conditions than on groups' perceptions that they will become worse if they fail to act now. Fearing the future, groups may misrepresent their strategies or bottom lines to gain advantage, referred to as "information failures." Conversely, groups may not be able to convince each other that they will follow through on commitments, referred to as "problems of credible commitment." Finally, a security dilemma arises when offensive action appears to offer greater gains than remaining on the defensive, thus providing an incentive for a preemptive use of force.<sup>18</sup>

In the instrumental (or constructivist) tradition, Lake and Rothchild emphasize that stable ethnic relations can result from strategic interactions between and within ethnic groups that produce an "ethnic contract" which specifies, formally or informally,

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<sup>16</sup> Lake and Rothchild, 6. DeVotta places them within the instrumental, rational choice paradigm. DeVotta, 3.

<sup>17</sup> Lake and Rothchild, 4.

<sup>18</sup> Ibid., 17

“the rights and responsibilities, political privileges and access to resources of each group.”<sup>19</sup> This concept is useful in considering Macedonia because in the months following independence, Macedonia’s major ethnic groups produced an informal ethnic contract which was tested and questioned repeatedly over the next several years.

Several instrumental analysts have concluded that international interventions on behalf of ethnic minorities have a real chance of succeeding when there are domestic actors supporting the same goal.<sup>20</sup> Lake and Rothchild add that international actors should reinforce existing ethnic contracts, ensuring they do not succumb to information failures, problems of credible commitment, and security dilemmas.<sup>21</sup> A prerequisite for effective international action, then, is to understand what the ethnic contract actually consists of, and not to be manipulated by one group or another into changing it for its own benefit. These concepts are particularly relevant to international efforts in Macedonia.

*Dynamic Models:* To get closer to understanding why ethnic conflict occurs, however, Lake and Rothchild’s analysis must be complemented by concepts deriving from dynamic models of ethnic conflict. In a practitioner’s model developed by RAND analysts, stages of development of ethnic conflict are identified, such as “the potential for strife,” “transforming potential strife into likely strife” and “from likely strife to actual strife.” The political strength of ethnic groups and the potential for “tipping events” that galvanize group behavior are compared to the power of the state to help predict whether ethnic disputes will advance to the next stage, break out in violence, or end with

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<sup>19</sup> Ibid., 13.

<sup>20</sup> For example, Stephen D. Krasner and Daniel T. Froats, “Minority Rights and the Westphalian Model,” in Lake and Rothchild, 250.

<sup>21</sup> Lake and Rothchild, 32.

accommodation.<sup>22</sup> Similar dynamic models refer to “accelerators” and “de-accelerators” that are “reminders of the larger issues at stake” in an already risky environment, and thus galvanize group grievances. Once ethnic groups are galvanized, “triggers” light the fire of ethnic conflict. It is difficult to predict what event could become a trigger. Thus, often “all conditions specified are present yet somehow an apparently escalating crisis fizzled due to some unanticipated event.”<sup>23</sup> The concept of accelerators can be applied to the massive influx of Kosovar refugees into Macedonia in 1999. While the influx was clearly a reminder of a larger issue at stake for Macedonia’s ethnic Albanians, that larger issue was not necessarily the plight of Albanians everywhere, but rather the relatively positive condition of Albanians living in Macedonia.

*Structural Factors:* Ethnic violence is usually preceded by a long period of non-violent conflict, which raises the importance of medium and longer term structural factors that may effect the level of ethnic discord. Analysts generally agree that democratic transitions leave states particularly vulnerable to conflict, including ethnic conflict. The emergence of ethnically-based political parties during the transition to democracy is widely recognized as exacerbating ethnic tensions by appealing to people in ethnic terms and prioritizing ethnic issues on the political agenda.<sup>24</sup> Competition for leadership can further heighten ethnic tensions. Indeed, the upsurge in ethnic conflict in the 1990s has for the most part occurred in countries undergoing democratic transition.<sup>25</sup> As one observer notes, “It is, in sum, a very difficult time for governments of all types, but

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<sup>22</sup> Ashley J. Tellis and others, *Anticipating Ethnic Conflict*, (RAND 1997), 9-18.

<sup>23</sup> Barbara Harff, “Early Warning of Humanitarian Crises: Sequential Models and the Role of Accelerators,” in *Preventive Measures: Building Risk Assessment and Crisis Early Warning Systems* eds. John L Davies and Ted Robert Gurr, 72-73.

<sup>24</sup> Horowitz, 291.

especially troublesome for fledgling democracies.”<sup>26</sup> On the positive side, the potential for ethnic conflict should subside as countries consolidate democratic governance, which Ted Robert Gurr argues has happened in the second half of the 1990s.<sup>27</sup> Some observers have concluded that to avoid the destabilizing effects of democratic transition, countries should first consolidate effective governance before deepening democracy.<sup>28</sup> In a country like Macedonia, however, with strong desires for integration with Europe, it is difficult to imagine how democracy could be postponed.

The effect of economic transition on the potential for ethnic conflict is less well addressed in the basic literature.<sup>29</sup> The hypothesis is that, in ethnically divided societies, economic contraction leads to greater competition between ethnic groups for economic resources, including perhaps international economic assistance. After the Yugoslav experience of economic contraction in the 1980s followed by ethnic conflict in the 1990s, the idea that economic dislocation exacerbates ethnic tensions was widespread in Macedonia. Greece’s trade embargo and international sanctions on Serbia exaggerated the economic effects of transition in Macedonia. Many Macedonians believed that the international community’s failure to compensate Macedonia at least for the effects of sanctions on Serbia added to ethnic tensions.

One major research project has analyzed the correlation of structural factors with historical cases of ethnic conflict. The State Failure Task Force, a U.S. government-

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<sup>25</sup> Gurr, 359-64; Robert H. Dorff, “Democratization and Failed States: The Challenge of Ungovernability,” *Parameters*, Summer 1996 <http://carlisle-www.army.mil/usawc/Parameters/96summer/dorff.htm> (February 7, 2000), 4.

<sup>26</sup> Dorff, 6.

<sup>27</sup> Ted Robert Gurr, “Ethnic Warfare on the Wane,” *Foreign Affairs*, May/June 2000, 53.

<sup>28</sup> Dorff, 8.

<sup>29</sup> The literature better addresses the effects of economic discrepancies among ethnic groups as a source of conflict, though its significance is doubted. See Gurr, 358-59; Horowitz, 105-135. In Macedonia, ethnic



initiated research project dating from 1994, examined ethnic conflict as one of four types of state failure.<sup>30</sup> Researchers brainstormed to produced 617 possible factors that might affect ethnic conflict, including demographic, economic and political variables, which were winnowed down to 75 high priority variables. These 75 variables were tested against 113 cases of serious conflicts and crises occurring between 1955 and 1994 throughout the world. Statistical analysis suggested several structural factors that correlate with the outbreak of ethnic war in democratic countries. First, countries that were highly open to international trade were generally less likely to suffer ethnic warfare. Researchers theorized that openness to trade correlated with interdependent regimes that were "more inclined to adhere to international norms of good governance, and more sensitive to external encouragement to observe those norms and to censure for violating them."<sup>31</sup> Second, countries with ruling elites representing only one ethnic group in an ethnically divided society were more likely to experience ethnic violence. Third, a large proportion of young adults in the total population correlated with ethnic violence. Finally, two indicators that researchers believed were associated with popular discontent, a high rate of infant mortality and a high number of years since the last regime change, both correlated with ethnic violence.<sup>32</sup> The limitations of such a historically based, statistical study for an individual country are obvious. The strength of the analysis is in calling attention to a reasonable number of structural factors that may be important in any individual case.

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Albanians had less access to the formal economy, but this was not one of their chief complaints, perhaps because the formal economy performed so poorly.

<sup>30</sup> The Task Force arose out of a request from Vice President Gore, who, along with other Washington policymakers, reacted to Robert Kaplan's apocalyptic article "The Coming Anarchy," Atlantic Monthly, 1994. See Dabelko, Geoffrey D., "The Environmental Factor," Washington Quarterly, Autumn 1999, 14.

<sup>31</sup> Daniel C. Esty and others, "The State Failure Project: Early Warning Research for U.S. Foreign Policy Planning," in Davies and Gurr, Preventive Measures, 32.

*Defusing Ethnic Conflict:* Scholars have advanced a wide variety of methods by which an ethnically divided state can attenuate ethnic conflict by accommodating ethnic groups without undermining democracy or the state's territorial integrity. Internal institutional approaches involve voting structures that seek to mitigate the power of ethnic majorities. Some examples are ethnic vetoes in decision-making, certain senior political offices reserved for members of ethnic groups, proportional representation and ethnic or territorial autonomy or federalism.<sup>33</sup>

The effects of such institutional arrangements are controversial. They have been criticized for possible unintended consequences, including stimulating ethnic discord, depending on the particular situation in which they are employed.<sup>34</sup> Moreover, in the European cases writers of the 1970s relied on to support their thesis, it was unclear whether such consociational arrangements helped manage ethnic discord or, on the contrary, whether the low level of ethnic discord in countries such as Switzerland, Austria, Belgium and the Netherlands made these arrangements possible.<sup>35</sup> Macedonia's strategists were adamantly opposed to such institutional arrangements, largely because they believed they could lead to political gridlock, an erosion of individual rights and ultimately secession. Ethnic Albanian leader Arben Xhaferi, on the other hand, often called for federalism, an ethnic veto or "consensual democracy." In a recent article in Foreign Affairs, Ted Robert Gurr argued that greater autonomy for ethnic minorities reduced ethnic tensions in many countries in the 1990s.<sup>36</sup> Regimes are often reluctant to grant autonomy because they fear it may lead to secession, but Gurr argued that "in very

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<sup>32</sup> Ibid., 34.

<sup>33</sup> Horowitz, 568-70.

<sup>34</sup> Ibid., 571; Pauletta Otis, "Ethnic Conflict: What Kind of War is This?," Naval War College Review, Autumn 1999, ProQuest (May 11, 2000), 14 (note 15).

few contemporary instances did negotiated autonomy lead to independence.”<sup>37</sup> Ethnic Macedonians argued that, given the Albanian nationalist goal of creating a Greater Albania out of Albania, Kosovo and Western Macedonia, Macedonia might turn out to be one of these few instances.<sup>38</sup>

Political approaches have also been advanced to reduce the risk of ethnic conflict. Scholars generally agree that multi-ethnic coalition governments can help manage ethnic divisions, though they are considered usually unstable,<sup>39</sup> and the State Failure Task Force, as we have seen, has supported this concept with historical data. In Macedonia, multiethnic government became an essential element of the national strategy. Affirmative action programs may also mitigate ethnic tension by redressing minority’s under representation in government and educational institutions, though they take a long time to have an impact, may incite conflict in the short run and are open to reversal.<sup>40</sup> Macedonia, as the paper will show, has employed several affirmative action programs. Finally, a grand political settlement between ethnic groups may create an explicit, mutually accommodating ‘ethnic contract’ between groups and thus reduce ethnic tensions. Such settlements, which may endure for years but usually not forever, tend to arise out of moments of crisis, such as independence or war, in the most ethnically divided countries.<sup>41</sup> In Macedonia immediately after independence, a process of inter-ethnic dialogue produced agreements on many outstanding issues, but some issues were

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<sup>35</sup> Horowitz, 572.

<sup>36</sup> Gurr, “Ethnic Warfare.”

<sup>37</sup> Ibid., 56.

<sup>38</sup> For the argument in favor of Greater Albania, see Elez Biberaj, “The Albanian National Question: The Challenges of Autonomy, Independence and Separatism,” in *The New European Diasporas* ed. Michael Mandelbaum (New York: Council of Foreign Relations Press 2000), 278-79.

<sup>39</sup> Horowitz, 366-67.

<sup>40</sup> Ibid., 676.

<sup>41</sup> Ibid., 581-88.

left unresolved and certain leaders from both major ethnic groups did not support the process. Revisiting such a grand bargain has been raised many times by ethnic Albanian leader Xhaferi, but has generally been resisted by ethnic Macedonians interested in letting democratic institutions resolve remaining differences.

International integration with larger political units has also been suggested to defuse ethnic conflict.<sup>42</sup> The concept, which is generally accepted in Macedonia, is that becoming part of a larger political entity reduces the bitterness of conflict over who controls state power, just as Belgium functions well within the European Union. Indeed, the prospect of integration with the European Union is extremely popular among ethnic Macedonians and Albanians alike, and functions as a powerful limitation on ethnic conflict, as it has elsewhere in Eastern Europe. While integrating a multi-ethnic country may make sense from this perspective, the European Union has so far been extremely reluctant to import what it perceives as more ethnic problems and unwilling to test the hypothesis that integration could help defuse conflict.<sup>43</sup>

Ascribing to international norms on the treatment of minorities can also mitigate ethnic discord. Ted Robert Gurr has suggested that during the 1990s “a new regime governing minority-majority relations is being built”<sup>44</sup> based on protections of minority rights, including, he claims, collective rights, that are supported by Euro-Atlantic institutions, such as the OSCE and Council of Europe. Macedonia, which became a state

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<sup>42</sup> Ibid., 592-97.

<sup>43</sup> See Timothy Garton Ash, “Cry, the dismembered country,” *The New York Review of Books*, January 14, 1999, ProQuest (October 8, 1999), especially 9-13.

<sup>44</sup> Gurr, “Ethnic Warfare,” 55.

party to virtually all minority and human rights conventions soon after independence,<sup>45</sup> exemplifies this process.

### Preventive Diplomacy

The end of the Cold War also ended the superpowers' automatic veto of international intervention in the internal affairs of sovereign states in their own sphere of interest. In January 1992, the first summit meeting of United Nations Security Council members sought to strengthen UN peacekeeping and preventive diplomacy. The concept of preventive diplomacy—taking action before disputes escalate into conflicts—gained theoretical and practical currency that year. Boutros-Boutros Ghali's report of June 1992, Agenda for Peace, advanced the idea of preventive diplomacy, which was endorsed by the General Assembly, as well as President Bush and candidate Clinton. At the same time, the Conference on Security Cooperation in Europe, a regional organization that was originally a forum for East-West dialogue under the Helsinki Final Act, dispatched its first conflict prevention missions to the former Yugoslavia, including Macedonia. By the end of the year, Macedonia had formally requested the United Nations' first preventive military deployment, and in 1993 the United States sent its first significant contribution of troops to a UN peacekeeping mission. While both of these missions were originally deployed to prevent Serbia from provoking conflict in Macedonia, they were sustained by international belief that they also helped calm internal ethnic tensions in Macedonia.

The theory of preventive diplomacy has been fleshed out based on the experience in Macedonia and other countries. The general concept is that early intervention in

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<sup>45</sup> Ljubomir Frckoski, Model of the Interethnic Relations in Macedonia (Skopje, Macedonia: Krug 1998), 90-94.

disputes is cost effective and more likely to succeed in reestablishing normal peacetime conditions than post-conflict intervention. In his authoritative work, Preventing Violent Conflicts,<sup>46</sup> Michael Lund notes that the United States often plays a leading role in preventive diplomacy, but a variety of international actors also participate, including other major powers, regional organizations, the United Nations and NGOs. The instruments of preventive diplomacy include “actual or contingent “carrots,” such as explicit or implicit offers of membership in regional economic organizations and trade agreements, economic assistance, and diplomatic recognition of new states; and “sticks,” such as moral condemnation of violations of human rights or other international norms...and deterrence through preventive peacekeeping.” Preventive diplomacy also seeks to facilitate bargaining and negotiations to prevent conflict.<sup>47</sup>

Lund suggests five “more or less manipulable factors” that appear to be important to the success of preventive diplomacy, based on several case studies. First, the right combination of carrots and sticks must be timed correctly to occur before the outbreak of violence. Second, coordinated, multifaceted action by a variety of international actors produces a cumulative effect that has greater impact on disputes than individual efforts. Third, major powers, particularly the United States, must support or at least tolerate instances of preventive diplomacy. Fourth, the leaders of parties to a dispute should be moderate and receptive to preventive diplomacy. Fifth, the state should be autonomous

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<sup>46</sup> Michael S. Lund, Preventing Violent Conflicts: A Strategy for Preventive Diplomacy (Washington, DC: United States Institute of Peace Press 1996).

<sup>47</sup> Ibid., 79-80.

from the disputants to be able to support preventive diplomacy with its own institutions and procedures.<sup>48</sup>

The critique of preventive diplomacy is that it oversells international “prescience, prescription and mobilization.”<sup>49</sup> Despite the efforts of social scientists, when and where violent conflict will break out remains difficult to predict. Once predicted, the most effective response to prevent conflict depends on judgements that can be wrong. The effective response, moreover, may entail significant costs, such as serious threats of military action. Finally, preventive diplomacy consciously encourages non-governmental organizations, which lack public accountability, to involve themselves in the most sensitive field of international relations, violent conflict.<sup>50</sup>

While this critique correctly cautions that preventive diplomacy may not work in all cases, it discounts the cases where the potential for violence is clearly high and cost-effective, politically-feasible preventive responses exist. Furthermore, the critique seems to find its foundation on a primordial view that strategic considerations are of relatively little important to the outbreak of conflict: “If we have learned anything from the disparate cases of conflict resolution in recent decades...it is that some conflicts must be intensified before they are resolved.”<sup>51</sup> The Macedonia case seems to confirm that preventive diplomacy can influence strategic interactions to prevent conflict, despite the difficulties of demonstrating that conflict would have occurred in the absence of preventive diplomacy.

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<sup>48</sup> Ibid., 82-105; see also Alice Ackerman, Making Peace Prevail: Preventing Violent Conflict in Macedonia (Syracuse University Press 2000), 162-67 for a similar list, save for the role of the state.

<sup>49</sup> Stephen John Stedman, “Alchemy for a New World Order: Overselling ‘Preventive Diplomacy,’” Foreign Affairs, May/June 1995, 15-16.

<sup>50</sup> Ibid., 15-18.

<sup>51</sup> Ibid., 20.

One area of preventive diplomacy not well-developed in the literature is the well-intentioned desire of states, perhaps especially new ones, to rid themselves of special international preventive diplomacy missions as a sign of their acceptance by the international community as a fully responsible and sovereign states. For example, after 1996, Macedonia was one of several states that sought an exit strategy for its OSCE monitoring mission, preferably one with clearly designed, mutually agreed upon standards that would lead to an international seal of approval before disengagement.

### Conclusion

The instrumental approach to ethnic conflict and preventive diplomacy complement each other in theory. Both emphasize, perhaps optimistically, the constructive role elites can play in managing, if not defusing, ethnic conflict. Most of the variables influencing the potential for ethnic conflict noted in the literature, including interactions of elites, trade openness, multiethnic governance and adherence to international minority standards, can be manipulated. A strategy that integrates policies to prevent ethnic conflict in each of these areas should succeed.



## Chapter III

### Challenges to Survival

While the ethnic question lay at the core of Macedonia's challenges in the 1990s, the new country also had to manage troubled relations with neighbors, international isolation, and an economic transition exacerbated by international sanctions on Serbia and an embargo by Greece.

#### Ethnic Identities and Interests

Like the French salad named for it, Macedonia is a rich mix of ethnic groups. Two thirds of the population is ethnic Macedonian, about one quarter ethnic Albanian, rounded out by Turks, Romanies, Serbs, Vlachs and others each contributing less than five percent.<sup>52</sup> While relations between the majority ethnic Macedonians and the smaller ethnic groups are relatively positive, the interaction between ethnic Macedonians and ethnic Albanians has been deeply troubled. An historical analysis of these groups' ethnic identities and interests provides insights into their relationship.

*Macedonians:* Ancient Macedonia was well over twice the size of the present day country of Macedonia, encompassing a large portion of what is today northern

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<sup>52</sup> According to the 1994 census, the population breakdown is:

Macedonians	1,295,963	66.6%
Albanians	441,104	22.7%
Turks	78,019	4.0%
Romanies	43,707	2.2%
Serbs	40,228	2.1%
Vlachs	8,601	.4%
Others	36,427	1.9%
Undecided	1,882	.1%

Greece, stretching to the Mediterranean Sea and the port of Thessaloniki, a slice of today's western Bulgaria and a sliver of today's Albania. Slavs moved into the region in the sixth and seventh centuries, joining Albanians and other ethnic groups living in it. Bulgarian and Serbian medieval empires conquered the region in the eleventh and fourteenth centuries, respectively, after which the Ottoman Empire ruled for the next five hundred years, until 1912.

As Greece, Serbia and Bulgaria gained autonomy under the Ottomans in the nineteenth century, they vied for dominance of Macedonia, creating what was known as the "Macedonian Question." In 1870, the Sultan, under Russian pressure, touched off an outright competition for the allegiance of Macedonians by forming a Bulgarian Orthodox Exarchate, which was permitted to conduct religious services and education in Macedonia alongside the Greek Orthodox Church.<sup>53</sup> The Exarchate made great progress using the much more familiar Church Slavonic instead of Greek, though the Greek Church remained strong in the south and the cities, where many spoke Greek. Russia sought to award Macedonia to Bulgaria through the Treaty of San Stefano with the Sultan in 1878, but the great powers reversed the treaty at the Congress of Berlin later that year, giving the area back to the weakened Ottoman Empire. At that time, the Serbs joined the competition for the allegiance of Macedonia's inhabitants at the virtual invitation of the Habsburgs, who had put the other object of Serbian interest, Bosnia and Herzegovina, out of bounds.<sup>54</sup>

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Macedonian Ministry of Information, "Population of the Republic of Macedonia"  
<http://www.sinf.gov.mk/Macedonia/EN/Geography/Population.htm> (May 28, 2000)

<sup>53</sup> Barbara Jelavich, History of the Balkans: Eighteenth and Nineteenth Centuries (Cambridge University Press 1983), 344.

<sup>54</sup> Barbara Jelavich, History of the Balkans: Twentieth Century (Cambridge University Press 1983), 92-93.

Serbia, Greece and Bulgaria formed an alliance to eject the Ottomans from Macedonia in the quick, bloody Balkan War of 1912. Serbia and Greece then divided the lion's share of Macedonia between them. Bulgaria, which had done much of the fighting against the Ottomans in the east, declared war on its former allies in 1913, but lost. After minor adjustments during World War I, the ancient region of Macedonia was divided as it remains today. Fifty percent went to Greece, thirty three percent to Serbia, ten percent to Bulgaria (which had occupied Macedonia during WWI but was again forced to retreat), and a "sliver" to Albania.<sup>55</sup>

Each country sought to assimilate the population in its new territory. The Serbs, whose winnings comprised present day Macedonia, tried convince Macedonia's inhabitants that they were not Bulgarian, as they were generally considered in Europe after the success of the Bulgarian Exarchate. Serbian became the official language (although the local language resembled Bulgarian), supporters of autonomy were repressed, and "Macedonian" was not listed as an option in the census. Instead of converts, the oppressive policy alienated the populace. "If people were unable to precisely identify what they were, they could clearly identify what they were not. They were not Serbs."<sup>56</sup>

During World War II Bulgaria occupied Macedonia for a third time (after San Stefano in 1878 and World War I). At first greeted as liberators, the Bulgarians turned out to be no better than the Serbs. Despite opening schools and churches, the Bulgarian occupation was corrupt, incompetent and brutal. While Jews in Bulgaria were dispersed

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<sup>55</sup> Duncan Perry, "The Republic of Macedonia: finding its way," in Politics, power, and the struggle for democracy in South-East Europe, eds. Karen Dawisha and Bruce Parrott (Cambridge University Press 1997), 228.

<sup>56</sup> Ibid., 229.

to the countryside, in Macedonia they were deported to concentration camps, where many died.<sup>57</sup> After the occupation, which ended with the victory of the Allied Powers, “Macedonians thus realized that they were not Bulgarians.”<sup>58</sup>

During the partisan struggle against the Nazis, Macedonians gradually attained sufficient standing, as well as reliability to partisan leader Josip Broz Tito, for an Anti-Fascist Assembly of the National Liberation of Macedonia (ASNOM) to proclaim a federal state of the new Democratic Federation of Yugoslavia in August 1944.<sup>59</sup> Macedonia’s status as a republic corresponded to Tito’s goals of reducing the size of greater Serbia, whose predominance had destroyed inter-war Yugoslavia, and undermining Bulgaria’s claim to Macedonia by fostering a distinctly non-Bulgarian Macedonian national identity.<sup>60</sup> But Macedonia was formed under strict controls to keep nationalism from developing too far. Half of the members of ASNOM who declared Macedonian independence were later purged for “supporting Stalin,” although many were intellectuals without party affiliation.<sup>61</sup> “By 1948, following Tito’s break with Stalin and two purges in Macedonia, a stable and, from Belgrade’s point of view, reliable leadership made up of ethnic Macedonians was in place in Skopje.”<sup>62</sup>

With encouragement from Belgrade, Macedonia quickly established a standard literary language, promoted Macedonian culture, history and mythology, and set up state infrastructure and institutions. Ethnic Macedonians came to dominate politics beyond their proportion of the ethnically mixed population. By 1981, 83% of the membership in

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<sup>57</sup> Jelavich, *Twentieth Century*, 256-57.

<sup>58</sup> Perry, 229.

<sup>59</sup> Hugh Poulton, *Who Are the Macedonians?* (Indiana University Press 1995), 103-5.

<sup>60</sup> Duncan Perry, “Macedonia: A Balkan Problem and a European Dilemma,” *Radio Free Europe/Radio Liberty Research Report*, June 19, 1992, 36.

<sup>61</sup> Macedonian intellectual A, interview by author, April 19, 2000, Skopje, Macedonia.

<sup>62</sup> Perry, “finding its way,” 231.

the League of Communists were ethnic Macedonian, at a time when ethnic Macedonians made up 67% of the population. In contrast, Albanians numbered less than 6% of the League of Communists in 1981, whereas they constituted over 14% of the population.<sup>63</sup> By independence in 1991, "nearly three generations after the recognition of this nationality in post-war Yugoslavia, one and one half million people know that they are Macedonians, are proud of this identity, and seek to foster and preserve it as a unique and cherished possession."<sup>64</sup>

Yet as Yugoslavia disintegrated, Macedonians were at first reluctant to part with their former benefactor. Economic transfers and subsidies to the poorest and most backward republic meant that standards of living improved considerably since World War II. Infant mortality dropped from 88 per thousand in 1970 to 35.3 in 1990, and indicators such as population per doctor and dentist improved, as they did elsewhere in Yugoslavia, even as the economy stagnated in the late 1980s.<sup>65</sup> These economic improvements were accompanied by a more limited sense of national identity than in Slovenia and Croatia. Moreover, Belgrade protected Macedonia from potentially hostile Bulgaria, Greece and Albania. In April 1991, as Slovenia and Croatia pressed ahead with secession, a poll indicated 60 percent of Macedonians wanted to remain in a restructured Yugoslavia.<sup>66</sup>

Ethnic Macedonians thus forged their national identity relatively recently and largely as a reaction against attempts by Bulgarians and Serbs to assimilate them. In

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<sup>63</sup> Poulton, 122. Figures originally from Boris Vuskovic, "Nationalities in the LCY: Ethnic composition of the membership of the League of Communists in Major Cities and Republics and Provinces," Nase Teme, March/April 1986, Zagreb.

<sup>64</sup> Perry, "finding its way," 251.

<sup>65</sup> Michael L. Wyzen, "Macedonia," in First Steps Toward Economic Independence: New States of the Postcommunist World, ed. Michael L. Wyzen (Westport, CT: Praeger, 1995), 199.

contrast to other Balkan nationalities, Macedonians had no legacy (or myth) of grand medieval empire on which to base their new state. Recognizing that a Macedonian state was not historically inevitable, preservation of its very existence became the primary strategic interest for many ethnic Macedonians. Relatively free of historical baggage, the Macedonians were fairly flexible on how to accomplish that.

*Albanians:* The development of ethnic Albanian identity and interests in Macedonia has depended on events in Kosovo. The Albanian national movement was born in Prizren, Kosovo in 1878, when Albanian leaders, reacting against the Treaty of San Stefano which would have given Albanian populated lands to Serbia, Montenegro and Bulgaria, requested autonomy under the Ottoman Empire and recognition from the Congress of Berlin.<sup>67</sup> In the Balkan War of 1912, Serbia won control of Kosovo and Macedonia, vindicating its loss to the Ottomans in 1389. An international conference in London in 1913 confirmed Serbia's sovereignty over these Albanian inhabited lands, despite the strenuous objections of leaders of the newly created state of Albania. During World War II, the Italian occupation unified Albania with Kosovo and Western Macedonia, temporarily creating a greater Albania. Kosovar Albanians naturally tended to side with Italian and later German occupiers against the Serbs. But Tito emerged predominant after the war and declined to award Kosovo or Western Macedonia to Communist Albanian partisan leader Enver Hoxha.<sup>68</sup>

The Albanian resistance to Serb rule after the war ultimately broke out in demonstrations in 1968 in Kosovo and the Western Macedonian city of Tetovo. Tito's

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<sup>66</sup> Alice Ackerman, Making Peace Prevail: Preventing Violent Conflict in Macedonia (Syracuse University Press 2000), 58.

<sup>67</sup> Jelavich, "Eighteenth and Nineteenth Centuries," 363-64.

<sup>68</sup> Ibid., 9.

new constitution of 1974 gave Kosovo autonomy, and an Albanian language University in Pristina, Kosovo's capital, opened in 1970. Albanians (as well as the Macedonians) began to view Tito as their benefactor and protector from the Serbs. After he died in 1980, Kosovars again demanded republic status. Violent riots broke out in Kosovo, mirrored in Western Macedonia.<sup>69</sup> Belgrade reacted with repression, which increased markedly with the rise of Slobodan Milosevic in 1987. In 1990, Milosevic succeeded in effectively abolishing Kosovo's autonomy, forcing its political leadership underground.

In Macedonia, authorities reacted even more harshly to ethnic Albanian demands for a republic, fearing an Albanian republic would endanger the existence of the Macedonian republic by re-igniting old Serbian, Bulgarian or Greek claims to rump Macedonia. Authorities rewrote textbooks, increased the teaching of Macedonian in Albanian-language schools, reduced instruction in the Albanian language (to schools where more than thirty pupils were enrolled and qualified teachers were available), barred the use of nationalist-Albanian names and folksongs, removed nationalists from local administrations, and debated tax and social service policies aimed at discouraging more than two children per Albanian family. One consequence of these measures was a drastic reduction in the number of Albanians attending secondary school. In 1988, authorities arrested scores of demonstrators and school children protesting in Macedonia's northern and western cities of Kumanovo and Gostivar against restrictions of their rights under Yugoslavia's 1974 Constitution.<sup>70</sup> In 1990, some 2,000 Albanians demonstrated in support of a greater Albania in the Western Macedonian city of Tetovo.<sup>71</sup>

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<sup>69</sup> Ibid., 10; Poulton, 126.

<sup>70</sup> Poulton, 129-30.

<sup>71</sup> Perry, "finding its way," 249.

The prospect that Kosovo might emerge from Yugoslavia's disintegration as an independent state<sup>72</sup> led Albanians in Macedonia to try to delay Macedonia's independence, in order to leave open the possibility of merging Western Macedonia with Kosovo. Before independence was seriously considered, the main Albanian political party, Party for Democratic Prosperity (PDP), supported the election of Kiro Gligorov as Macedonia's first president in January 1991, in a deal negotiated with ethnic Macedonian reform communists and non-communists,<sup>73</sup> preventing the election of nationalist leader Ljupco Georgievski.<sup>74</sup> By September 1991, however, when ethnic Macedonians supported independence, ethnic Albanians boycotted Macedonia's referendum on independence, parliamentary vote on the constitution and parliamentary proclamation of independence. In January 1992, PDP leader Nevzat Halili, who was "ambivalent over the whole nature of Macedonia,"<sup>75</sup> wrote to the EU's Badinter Commission demanding that it withdraw its recommendation that Macedonia be recognized.<sup>76</sup> That same month, ethnic Albanians voted in their own referendum for "the political and territorial autonomy of Albanians in Macedonia," which was neither recognized by Macedonia's government nor the international community.<sup>77</sup>

Ethnic Albanian ambivalence toward an independent Macedonia was not uniform, however, and international support and Macedonia's strategy brought to the fore Albanians interested in constructive cooperation. Urban Albanians in particular tended to

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<sup>72</sup> Kosovar Albanians endorsed in a referendum a constitution in September 1991, which legislators from Kosovo's abolished provincial government used as a basis to declare an independent state the following month. Albania recognized Kosovo, but the European Union did not entertain the idea of a Kosovar state since it did not have republic status. See Moore, 10.

<sup>73</sup> Macedonian intellectual A, interview by author, April 19, 2000, Skopje, Macedonia.

<sup>74</sup> Georgievski received the post of Vice President, which he resigned in October 1991.

<sup>75</sup> Poulton, 182.

<sup>76</sup> Ackerman, 105-6.



feel that President Gligorov's efforts on interethnic issues made formal autonomy unnecessary, while Kosovar leader Ibrahim Rugova indicated that interethnic trouble in Macedonia would support Milosevic's contention that no one could live with Albanians.<sup>78</sup> Indeed, Albanians generally agreed that Albanians in Macedonia should play a supporting role to the main goal of autonomy or independence for Kosovo.<sup>79</sup> These trends did not dilute the radical positions of some Albanian leaders in Macedonia, such as Arben Xhaferi, who considered Serbs and Macedonians to be essentially one people with whom Albanians could never live in peace without formal autonomy.

Ethnic relations between Macedonians and Albanians thus had conflicting tendencies. Mitigating the likelihood of conflict was the strong desire of ethnic Macedonians to preserve their first tenuous state, while politically active ethnic Albanians were more concerned with the Serb-Albanian conflict in Kosovo. Moreover, both ethnic Macedonians and ethnic Albanians tended to view themselves as relatively tolerant of the other, based on a shared historical experience of living fairly benignly together under the Ottoman Turks, but attributed aggressive tendencies to Serbs.<sup>80</sup> Nonetheless, conditions for violent ethnic conflict certainly existed, particularly in the context of Balkan nationalism of the 1990s. Ethnic Albanians feared a future in which ethnic Macedonians could repress Albanians as had occurred in the 1980s. Ethnic Macedonians feared ethnic Albanian separatism, as had occurred in 1991-92, which could dissolve the state or hold it hostage to ethnically based demands.

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<sup>77</sup> Loring Danforth, The Macedonian Conflict: Ethnic Nationalism in a Transnational World (Princeton University Press 1995), 145.

<sup>78</sup> Patrick Moore, "The 'Albanian Question' in the Former Yugoslavia." RFE/RL Research Report, April 3, 1992, 13.

### Antagonistic Neighbors

Some observers believed the primary threat to Macedonia's survival was external pressure from Serbia and Greece.<sup>81</sup> The legacy of the Balkan Wars and the creation of the Albanian state in 1913, however, meant that Bulgaria and Albania were also hostile in certain ways to Macedonia's independence.

*Serbia:* Serbia withdrew the Yugoslav Army from Macedonia in the spring of 1992, taking virtually all military weapons, supplies and infrastructure with it, on the assumption that it could reoccupy the defenseless republic when it wished. Indeed, Belgrade appeared to have prioritized conflict with Croatia, Bosnia and Kosovo ahead of Macedonia, working through them in a sort of "idiot's logic" and leaving the reoccupation of Macedonia until too late.<sup>82</sup> Macedonia's Serb minority was considered a likely pretext for Serbian intervention in Macedonia. Macedonia's Serbs, who reportedly had ties to Serbian nationalists Vojislav Seselj and Zeljko Raznjatovic (also known as Arkan) staged riots in 1993 demanding greater rights to Serbian language education and media.<sup>83</sup> Serbian intervention was also considered likely in the context of a military crackdown on Kosovo, to root out Kosovo resistance taking refuge in Macedonia. Belgrade kept Macedonia's independence in question by refusing to recognize the country until 1996 and blocking demarcation of the old administrative border throughout the 1990s.

However, Serbs considered Macedonians close relations with whom they could do business, and did so while international sanctions were imposed on Serbia. Serbs had

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<sup>79</sup> Political scientist, specializing in Albanian issues, interview by author, April 13, 2000, Washington, DC.

<sup>80</sup> Ackerman, 99, 167.

<sup>81</sup> U.S. Diplomat, D, telephone interview by author, May 24, 2000.

no historic grievance against Macedonians, as they had with Croatians, and some Serb officials considered Macedonia a refuge from Yugoslavia's wars that should be preserved.<sup>84</sup> There were thus opportunities for Macedonian strategists to contain the Serb threat.

*Greece:* Greece reacted with extraordinary antagonism to Macedonian independence, imposing two crippling economic embargoes in 1992 and 1994-95 and launching an international lobbying campaign that succeeded in isolating Macedonia from many bilateral relationships and international organizations for four years (see below). Greece viewed Macedonia's independence as a threat to Greek identity, and sought to overcome that threat by forcing Macedonia to change its name, constitution and flag.<sup>85</sup>

Greek sensitivities were based on a claim to the name Macedonia, as the name of the ancient, culturally Hellenic civilization of Philip of Macedon and his son Alexander the Great. More recently, the Greek Civil War had pitted ethnic Slav Communists against ethnic Greek royalists, resulting in bitter memories and population transfers across the Greek-Yugoslav border. Finally, a Macedonian state threatened to make an international issue of the Slavs who still lived in northern Greece. The Greek government had worked hard to assimilate the Slavs and officially denied their existence as a minority.<sup>86</sup>

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<sup>82</sup> Macedonian official, B, interview by author, April 17, 2000, Skopje, Macedonia; Macedonian intellectual, A, interview by author, April 19, 2000, Skopje, Macedonia

<sup>83</sup> Perry, "finding its way," 244; Ackerman, 87.

<sup>84</sup> Macedonian official, B, interview by author, April 17, 2000, Skopje, Macedonia.

<sup>85</sup> Macedonia amended its constitution, meeting the explicit approval of the EU's Badinter Commission, and changed its flag, but refused to change its name. See Chapter IV.

<sup>86</sup> The Greek government officially recognizes just one minority group, the ethnic Turks obligated in the Treaty of Lausanne of 1923. See U.S. Department of State, 1999 Country Reports on Human Rights Practices: Greece. [http://www.state.gov/www/global/human\\_rights/1999\\_hrp\\_report/greece.html](http://www.state.gov/www/global/human_rights/1999_hrp_report/greece.html)

*Bulgaria:* Bulgaria's mixed reaction to Macedonian independence was not a threat, but nor did it contribute to stability in Macedonia. On one hand, Bulgaria was the first country to recognize Macedonia's independence from Yugoslavia, which in effect realized a Bulgarian goal since the Balkan Wars. Bulgaria opened its transportation corridors to the importation of oil and other commodities during the Greek embargo. On the other hand, Bulgaria asserted that Macedonians were ethnically Bulgarian and refused to acknowledge a separate Macedonian national identity or language. Bulgaria's position was based on its own concerns over minority rights. Like Greece, Bulgaria had long minimized the existence of its ethnic Macedonian minority in western Bulgaria.<sup>87</sup> The practical effect of Bulgaria's position was that Macedonian-Bulgarian relations chilled while negotiated treaties were left unsigned because Bulgaria refused the common practice of signing in each country's language.

*Albania:* Albania challenged Macedonia by its intermittent support for autonomy or independence for ethnic Albanians in Western Macedonia. In early 1992, when union with Kosovo and a greater Albanian seemed possible, Albanian President Sali Berisha endorsed independence for Macedonia's Albanians.<sup>88</sup> Albania nevertheless recognized Macedonia and later expressed support for the new state, possibly out of fear that Serbia and Greece might agree to divide it.<sup>89</sup> Tirana was frequently ambivalent over Macedonia, and often offered Macedonia's radical Albanians official meetings and access to media to help them publicize separatism.

### International Isolation

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<sup>87</sup> Perry, "Balkan Problem," 36.

<sup>88</sup> Moore, 13.

<sup>89</sup> Political scientist, specializing in Albanian issues, interview by author, April 13, 2000, Washington, DC.

Greece used its position in international organizations and domestic lobbies in several key countries, including the United States, to isolate Macedonia from the web of institutional and bilateral relationships that provided international legitimacy for newly democratic countries of Eastern Europe. Such legitimacy was especially vital for a country coping with ethnic discord. Entreaties from senior Greek leaders, backed up by the Greek lobby in the United States, delayed U.S. recognition of Macedonia until February 1994 and the extension of official diplomatic relations until April 1996.<sup>90</sup> Greece prevented Macedonia from becoming an associate member of the European Union, a status conferred on Bulgaria, Slovenia, Romania and most other European countries in transition. Associate membership provided access to the EU's structural assistance and trade preferences. Macedonia was not admitted to the Organization for Security and Cooperation in Europe, the Council of Europe or NATO's Partnership for Peace until late 1995, after Greece agreed not to block its membership in international organizations as part of the Interim Accord negotiated by U.S. Special Envoy Richard Holbrooke (see Chapter IV).<sup>91</sup> Macedonia was admitted to the United Nations in April 1993, eighteen months after independence, under the temporary name "The former Yugoslav Republic of Macedonia," as opposed to its constitutional name "Republic of Macedonia," and alphabetized under "T."

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<sup>90</sup> See, for example, Michael Lund, "Preventive Diplomacy for Macedonia, 1992-1999: From Containment to Nation Building," in Opportunities Missed, Opportunities Seized: Preventive Diplomacy in the Post-Cold War World, ed. Bruce W. Jentleson (Lanham, MD: Rowman and Littlefield 2000), 187-88.

<sup>91</sup> The Interim Accord may be found at <http://www.macedonia.se.org/document/interimaccord.htm> (May 30, 2000)

### Economic Strangulation

Given Macedonia's economic weakness at independence, observers feared that the Greek embargoes and international sanctions on Serbia, Macedonia's main trading partner, could lead to social and ethnic unrest. Macedonia inherited a mixed economic legacy from Yugoslavia. Under Yugoslavia's decentralized economic system, Macedonia was the poorest and least internationally integrated republic. From 1965-87, however, a program of rapid industrialization gave Macedonia, a formerly agricultural region, the highest levels of industrial growth and industrial share of social product of any republic. Nevertheless, during Yugoslavia's last twenty years, unemployment in Macedonia remained six to ten percent higher than the Yugoslav average and reached 23% during economic stagnation in 1990. The legacy of industrial growth was that by 1990, Macedonia was home to heavily indebted "capital-intensive monstrosities" designed to provide inputs to factories in other parts of Yugoslavia, especially Serbia. The trading system was highly protectionist, and foreign trade traditionally accounted for only seven percent of Macedonia's national product, in contrast to approximately 33% for Slovenia and 11% for Croatia.<sup>92</sup> Trade balances were consistently negative. Transfers, subsidies and foreign aid under Yugoslavia, however, left Macedonians with a standard of living and infrastructure development in line with Hungary and the Baltic states, far above that of Romania or Bulgaria.<sup>93</sup>

These economic challenges were considerably exacerbated by international sanctions on Serbia from 1992 to 1995 and the Greek trade embargoes in 1992 and 1994-

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<sup>92</sup> Wyzan, 198-200.

95. Total costs have been estimated at more than three billion dollars. Macedonia applied to the United Nations and the European Union for compensation, but received none. By 1993, output had contracted by one third from pre-independence levels.<sup>94</sup> One international diplomat, upon entering Macedonia in September 1992, described an eerie scene of an economy almost at total standstill. The enormous oil refinery north of Skopje was not functioning, those cars which were visible were in enormous lines at gasoline stations, people were idle and shelves were bare.<sup>95</sup> Given the potential for ethnic conflict, antagonism of its neighbors, isolation from the international community and devastated economy, Macedonia's prospects for survival were precarious indeed.

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<sup>93</sup> See, for example, International Monetary Fund, Former Yugoslav Republic of Macedonia: Recent Economic Developments, IMF Staff Country Report No. 98/82 (Washington: 1998), 69.

<sup>94</sup> IMF, 6.

<sup>95</sup> U.S. Diplomat, D, telephone interview by author, May 24, 2000.

## Chapter IV

### A Strategy of Openness:<sup>96</sup> 1991-1995

In response to Macedonia's challenges, a group of intellectuals and politicians, under the aegis of President Gligorov, established a coherent, highly successful national strategy. The strategy's overriding goal was to preserve Macedonia as an independent state. The major political elements of the strategy were: establishing a unitary state based on individual rights; maintaining multiethnic government; marginalizing nationalists; relating constructively with neighbors, particularly those with ethnic minorities inside Macedonia (Albania, Serbia and Kosovo); involving Westerners in ethnic and security issues; and, integrating with Euro-Atlantic institutions, including NATO and the EU. Major economic elements were: quickly establishing an independent monetary system; controlling inflation; liberalizing trade; attracting foreign investment; and cautiously privatizing enterprises. The military aspects of the strategy (which based military security on international support and basic territorial defense within extremely limited resources) are beyond the scope of this paper.

The strategy was radically open and decidedly Western-oriented. In a sense, it sought to substitute membership in Europe for membership in Yugoslavia. By firmly establishing a clear, yet reasonable ethnic contract within international norms, the strategy was largely responsible for preventing ethnic conflict in Macedonia, despite forceful challenges by nationalists. The strategy afforded Macedonia a generally positive

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<sup>96</sup> This name derives from the strategy's common denominator, confirmed in an interview with one of the key strategists. Macedonian intellectual, B, interview by author, April 18, 2000, Skopje, Macedonia.



international reputation, which helped garner international support vital to Macedonia's survival, countering Greek efforts to cast Macedonia as an international pariah. The strategy did not succeed, however, in achieving the economic growth and full integration with Euro-Atlantic institutions that Macedonians believed would finally resolve the question of the country's survival.

### The Strategists

The political development of all postcommunist countries has been heavily influenced by "the attitudes and strategies of elites,"<sup>97</sup> and Macedonia itself inherited a tradition of strong elite leadership.<sup>98</sup> Kiro Gligorov was known in Belgrade political circles as "the fox" (though little known at first in his own republic) and rivaled Milosevic in his abilities to influence and manipulate insider politics, though philosophically he could not have been more different.<sup>99</sup> Eschewing "emotionalism,"<sup>100</sup> Gligorov generally worked well with internal and external political adversaries, always confident of his ability to outmaneuver or accommodate them, and openly criticized even his own political allies when they failed to do the same. Gligorov was known and respected in the West, having been one of Prime Minister Ante Markovic's economic reformers.

The remarkable group that worked under Gligorov was united by the immense challenges to Macedonia's survival and a shared commitment to their strategy. Branko

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<sup>97</sup> Bruce Parrott, "Perspectives on postcommunist democratization," in Politics, power, and the struggle for democracy in South-East Europe, eds. Karen Dawisha and Bruce Parrott (Cambridge University Press 1997), 21.

<sup>98</sup> Duncan Perry, "The Republic of Macedonia: finding its way," in Politics, power, and the struggle for democracy in South-East Europe, eds. Karen Dawisha and Bruce Parrott (Cambridge University Press 1997), 226.

<sup>99</sup> Macedonian journalist, B, interview by author, April 20, 2000, Skopje, Macedonia.

Crvenkovski, a politically brilliant electrical engineer, became president of the reform communist Social Democratic Union in 1991 at the age of 29 and served as Prime Minister from 1992 to 1998. Ljubomir Frckovski, 34 at Macedonia's independence and married to an ethnic Albanian, received his masters degree in law in Skopje and Ph.D. in political science in Slovenia. Frckovski, one of three intellectuals who drafted Macedonia's constitution, led interethnic negotiations with assistance from the International Conference on the Former Yugoslavia (ICFY) and served as Minister of Interior and later Minister of Foreign Affairs. Vladimir Milcin, playwright, director, multiethnic drama professor and intellectual, was a trusted nonpartisan in the early formation of the strategy. Jane Milovski, an economist from Skopje's law faculty, was given wide latitude to design and implement economic reforms. These are but a few of many intellectuals and politicians who helped formulate and implement the strategy.

An array of young and talented professionals, businesspeople and journalists backed up the strategists. All seemed to have attended high school or university together and spent hours exchanging ideas in cafes. They were a sophisticated lot, with plenty of Western exposure under Yugoslavia's open travel regime and a healthy sense of humor. None had been dissidents under Yugoslavia—there were few dissidents under Yugoslavia and even fewer in Macedonia—but neither had they participated in its government. Macedonia's communist nomenclature gravitated to the background of the Social Democratic Union, joined the directors of large enterprises in the Liberal Party or became members of the Socialist Party.

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<sup>100</sup> Macedonian politician, C, interview by author, April 20, 2000, Skopje, Macedonia.

## Opening Politics

### *A Unitary, Civic State*

The strategists were convinced that Macedonia could only surmount ethnic divisions in a unitary state governed on the basis of individual, not collective, rights. As Yugoslavia disintegrated, three intellectuals<sup>101</sup> quickly drafted a constitution in November 1991 using about a dozen western constitutions as models.<sup>102</sup> Frckovski later wrote that consociational democracy in an ethnically divided, transitional society “gradually slides toward ‘democracy of groups’” dominated by elites and violating the principle of individual sovereignty. Referring to Donald Horowitz and other theoreticians of ethnic conflict, Frckovski asserted that collectivist institutional arrangements would at best lead to confederation, which he believed undermined the role of the individual, and at worst the suspension of democracy and the dissolution of the state.<sup>103</sup>

Getting parliament to approve such a liberal constitution was not easy, however. The leadership of the main ethnic Albanian party, the PDP, had at that time decided to abstain from votes on the formation of the Macedonian state, in the event that Kosovo became independent and western Macedonia wished to join it (though only by a close vote of 13 to 10 in the case of the constitution).<sup>104</sup> The Social Democrats therefore needed the votes of the nationalist VMRO party to pass the constitution. VMRO members, however, insisted that Macedonia be defined as a collective nation-state of the

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<sup>101</sup> The three were: Frckovski and two professors of law who later served as defense ministers, Lazar Kitanoski and Vlado Popovski.

<sup>102</sup> Macedonian intellectual, D, interview by author, April 20, 2000, Skopje, Macedonia.

<sup>103</sup> Ljubomir Frckoski, Model of the Interethnic Relations in Macedonia (Skopje, Macedonia: Krug 1998), 20-22.

<sup>104</sup> Hugh Poulton, Who Are the Macedonians? (Indiana University Press 1995), 182.

Macedonians, while PDP members wanted Macedonia defined as a state of two collective nations, Macedonians and Albanians. Moreover, VMRO insisted that the constitution refer to the Macedonian orthodox church.

One of the constitution's framers recommended to President Gligorov that such political differences be handled in the constitution's preamble, which is normally not considered legally binding, and as a factual description of history.<sup>105</sup> The somewhat awkward preamble, which ethnic Albanians reject to this day, reads, "Taking as a point of departure the historical, cultural, spiritual and statehood heritage of the Macedonian people...as well as the historical fact that Macedonia is established as a national state of the Macedonian people, in which full equality as citizens and permanent coexistence with the Macedonian people is provide for Albanians, Turks, Vlachs, Romanies and other nationalities..." VMRO also received mention of the Macedonian Church in Article 19, which in part reads, "The Macedonian Orthodox Church and other religious communities and groups are free to establish schools and other social and charitable institutions..."<sup>106</sup> Albanians today object to this pride of place for the Macedonian Church. All but three VMRO members of parliament voted for the constitution. Some Albanian parliamentarians reportedly congratulated President Gligorov after the vote, despite their boycott.<sup>107</sup>

Aside from these instances, Macedonia's constitution contains the same protections of individual rights as Western democracies. The European Union<sup>108</sup> established a commission of constitutional court presidents to provide advice on legal

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<sup>105</sup> Loring Danforth, *The Macedonian Conflict: Ethnic Nationalism in a Transnational World* (Princeton University Press 1995), note 3, 144; interviews with former senior Macedonian officials (Gligorov and Kitanoski)

<sup>106</sup> Constitution of the Republic of Macedonia <http://www.hri.org/docs/fyrom-const.html> (May 30, 2000)

issues related to the breakup of Yugoslavia. The Badinter Commission, known for the name of its chairman, the President of the Constitutional Court of France, examined each of the constitutions of the former Yugoslav Republics requesting recognition as states under criteria that included the protection of human rights of minorities. Greece further injected a requirement that the constitutions guarantee that countries had no territorial pretensions against any neighboring state of the European Union and would not act in a hostile fashion toward a neighbor, including by using a name which implied a territorial claim. After Macedonia quickly passed two amendments to its constitution renouncing any territorial claims against neighbors and explicitly pledging not to interfere in their internal affairs, the Badinter Commission ruled that Macedonia's name did not imply a territorial claim against Greece. The Commission recommended that, of the five republics of the former Yugoslavia, only the constitutions of Slovenia and Macedonia provided the requisite guarantees. The EU ignored the Commission's recommendation, recognizing Slovenia, Croatia and Bosnia, but not Macedonia.<sup>109</sup>

### *Multiethnic Government*

Macedonia's strategists recognized early that they would need to govern together with the major Albanian party to maintain interethnic peace. In 1990, after Yugoslavia's multiparty elections and before ethnic violence had convulsed Croatia and Bosnia, key strategists asked Kiro Gligorov to run for President because they needed an experienced

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<sup>107</sup> Macedonian intellectual, D, interview by author, April 20, 2000, Skopje, Macedonia.

<sup>108</sup> Known then as the European Community. For simplicity it is referred to by its current name throughout.

<sup>109</sup> Danforth, 149.

leader, in politics and economics, with strong Western connections.<sup>110</sup> They recognized that Gligorov would need the support of Albanian members of parliament to govern effectively, particularly since VMRO, which held a plurality in parliament, supported its own young leader, Ljupco Georgievski, for the job. After negotiations between the Albanian PDP and the ethnic Macedonian reform communists, Gligorov was elected with PDP support.<sup>111</sup> PDP members then joined Macedonia's first government of experts and remained members of every subsequent Social Democratic government through the parliamentary elections of 1998. In 1992, the PDP received four ministerial positions, more than its proportion in parliament, including the important ministry of Labor and Social Welfare.

The relationship between the Social Democratic Union and the Albanian PDP was based on a pragmatic ethnic contract: improvements in the status of the Albanian minority were necessary and possible within the framework of the constitution.<sup>112</sup> The two parties thus concluded a political agreement (but did not create special institutional arrangements) to increase the opportunities for ethnic Albanians in education and government positions. Over the next several years, the two parties worked on various aspects of this agreement, which included establishing affirmative action quotas at Skopje's University, Albanian language instruction at the University's pedagogical faculty, and minority quotas in the police and military academies. Ethnic Albanians received several positions on the constitutional and supreme courts. By 1995, ambassadors in three major European capitals were ethnic Albanian and the first ethnic

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<sup>110</sup> Alice Ackerman, *Making Peace Prevail: Preventing Violent Conflict in Macedonia* (Syracuse University Press 2000), 58.

<sup>111</sup> Macedonian intellectual, A, interview by author, April 19, 2000, Skopje, Macedonia.

<sup>112</sup> Frckoski, 116; Macedonian politician, D, interview by author, April 17, 2000, Skopje, Macedonia

Albanian was promoted to general officer. Implementation was steady, but slow and thus open to political attack by more radical ethnic Albanians. The Social Democrats contended that the measures demonstrated the coalition's commitment to integration and improving the status of ethnic Albanians. Opposition Albanians said they were an attempt to pacify them.<sup>113</sup>

While governing in coalition with ethnic Albanians helped preserve ethnic peace, it did not eliminate interethnic incidents and ultimately produced a split in the PDP. In November 1992, a violent confrontation between police and demonstrators at Skopje's central market left three ethnic Albanians dead. In November 1993, government authorities arrested organizers of an "All Albanian Army," including the deputy ministers of defense and health. The group was probably gathering arms for self-defense, but leaders were convicted of trying to overthrow the state.<sup>114</sup> In December 1993, the PDP split, with younger radicals forming the Party of Democratic Prosperity-Albanians (PDP-A), which gained support from the Democratic Party in Albania and radicals opposed to Ibrahim Rugova in Kosovo (the PDP-A changed its name to Democratic Party of Albanians (DPA) in 1997).<sup>115</sup> PDP-A President Arben Xhaferi, a former journalist in Pristina with a degree in philosophy from Belgrade University, and deputy Menduh Thaci ominously predicted violence unless the government acceded to their demands for autonomy.<sup>116</sup>

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<sup>113</sup> Perry, 237.

<sup>114</sup> Robert A. Sorenson, "Muddling Through the Macedonian Question at Century's End," (Unpublished research paper, The Hoover Institute, Stanford, CA: 2000), 14. Sorenson observed the trial for the OSCE. The convicted deputy minister of health, Imer Imeri, is currently the leader of the PDP in opposition.

<sup>115</sup> Poulton, 189-90.

<sup>116</sup> Perry, 240.

### *Marginalizing Nationalists*

VMRO won a plurality of parliamentary seats in the 1990 elections on an anti-Albanian campaign, and thus posed a serious challenge to peaceful interethnic relations, in the eyes of the strategists. The strategists first sought to co-opt VMRO by offering Nikola Kljusev, a VMRO supporter, the position of prime minister in a technical government, which he set up in March 1991, with Gligorov becoming President and VMRO leader Georgievski Vice President. By April, however, on the eve of war between Serbia and Croatia, VMRO's outspoken support for independence from Yugoslavia and a Macedonian national army led many to worry that its impetuous behavior could incite Serbian aggression against Macedonia.<sup>117</sup> VMRO was stridently anticommunist, and several supporters were accused of attempting to blow up a Yugoslav Army facility. VMRO supporters also formed armed 'defense committees' in mixed Albanian-Macedonian areas of Western Macedonia, though a connection to VMRO's leadership was never proven nor were the committees implicated in anti-Albanian violence.<sup>118</sup> Adding to its irresponsible reputation, VMRO supported the unification of Macedonian lands in Greece and Bulgaria, if only by political means.<sup>119</sup>

The strategists finally pushed VMRO out of the political mainstream by using the Social Democrat-PDP alliance that had elected Gligorov to force a no-confidence vote in the technical government in July 1992. VMRO sought new elections, but President Gligorov gave Social Democratic Union (SDU) President Crvenkovski the mandate to form a new government, which he did through a broad coalition of Social Democrats, PDP, Liberals and Socialists. VMRO continued to use its position in parliament,

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<sup>117</sup> Ackerman, 96-7.

<sup>118</sup> Poulton, 187, 207.



however, to oppose bilingual identity cards and bilingual census forms as inconsistent with constitutional provisions on the official Macedonian language and a first step towards federalism.<sup>120</sup> VMRO served as an active opposition.

VMRO then eliminated itself from the parliament during elections in 1994 when it and the Democratic Party, behind after the first round of voting, boycotted the second round. VMRO contended the elections were fraudulent, but international observers considered them valid. VMRO spent the next four years in the political wilderness, giving the SDU a near majority in parliament with 58 seats, followed by Liberal Party with 29 seats, the Albanian PDP with 10 seats and other minor parties with small numbers. VMRO took to the streets in 1996 and 1997, as we shall see in the next chapter.

Albanian nationalists were largely marginalized during this period by the strength of the PDP, which was bolstered by its ability to provide government jobs to the Albanian elite. The radical challenge increased after the party split in late 1993, however, leading to the challenge of Tetovo University in early 1995 (see below).

### *Constructive Relations with Neighbors*

The strategists recognized that peaceful interethnic relations among ethnic Macedonians, Albanian and Serbs required establishing constructive relations with leaders in Belgrade, Tirana and Pristina. President Gligorov relied heavily on his own and others' personal connections with Serbian officials, particularly Serbian Chief of the General Staff Abdic, in extremely tense negotiations that resulted in the only peaceful

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<sup>119</sup> Ackerman, 96.

withdrawal of the Yugoslav army from any republic in the spring of 1992. The strategists were careful not to provoke Serbia, allowing its soldiers to leave Macedonia with dignity and virtually all their equipment and supplies.<sup>121</sup> When the Serb minority staged riots in 1993, the government moved quickly to accommodate demands for greater access to Serbian language education and media.<sup>122</sup>

President Gligorov also actively engaged Kosovar leader Ibrahim Rugova and Albanian President Sali Berisha, both of whom Gligorov met several times. Rugova's strategy of non-violence was tremendously helpful to Macedonia's attempts to integrate ethnic Albanians into the political mainstream. Berisha's approach to Macedonia was less consistent, and Gligorov ended direct contact after Berisha publicly supported ethnic Albanian radicals in the founding of Tetovo University (see below).<sup>123</sup>

Macedonia's strategists, and particularly President Gligorov, were unwilling to ignore the treatment of Macedonian minorities in Greece and Bulgaria, despite the overreaction provoked in those countries. They did so less out of a sense of nationalism, of which they were often accused, than for concrete domestic reasons. First, expressions of interest in Macedonians abroad affirmed Macedonians' national identity, and thus relieved some nationalist pressure within the state, which could incite interethnic tensions. Second, such expressions affirmed Macedonia's status as a state, since concern for ethnic brethren was a basic characteristic of independent states in the Balkans. Finally, Macedonian leaders felt they could not, on the one hand, encourage and accept the Balkan's most intensive international monitoring regime on behalf of Macedonia's

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<sup>120</sup> Danforth, 146. While the constitution designates Macedonian as the official language, it provides for official use of minority languages in localities with significant minority populations.

<sup>121</sup> Macedonian politician, C, interview by author, April 17, 2000, Skopje, Macedonia.

<sup>122</sup> Perry, 244; Ackerman, 87.

ethnic Albanian minority without pressing for recognition, at least, of ethnic Macedonian minorities in neighboring countries.

### *Western Involvement*

After independence, Macedonia's strategists actively sought the engagement of international organizations to help manage ethnic discord and external threats. Their interest in hosting foreigners was partly an attempt to secure *de facto* international recognition at a time when few countries and no international organizations recognized Macedonia. But Macedonia's engagement went far beyond symbolic invitations. Representatives of international organizations, such as the International Conference on the Former Yugoslavia (ICFY), the Organization for Security and Cooperation in Europe (OSCE) and the Council of Europe (COE), became substantively involved in Macedonia's most sensitive interethnic questions. Macedonia's strategists believed such engagement of third parties served their interests in four ways: building trust between ethnic Macedonian and Albanian negotiators; rationalizing, prioritizing and subjecting ethnic Albanian demands to international standards; providing sympathetic international listeners, particularly for ethnic Albanians who felt disenfranchised; and, presenting an objective view of Macedonia to the world.<sup>124</sup>

For example, ethnic Macedonians and Albanians alike welcomed the involvement of the ICFY Working Group on Ethnic and National Communities and Minorities, chaired by German diplomat Geert Ahrens. Ahrens helped convince ethnic Albanians to work within the institutions of the new state in 1992, after they had boycotted the

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<sup>123</sup> Macedonian politician, C, interview by author, April 17, 2000, Skopje, Macedonia.

<sup>124</sup> Frckoski, 98-102.

referendum on independence and the vote on the constitution, and worked with government and Albanian political representatives to turn constitutional provisions on minority rights into political agreements and laws through trilateral discussions.<sup>125</sup> In response to ethnic Albanian claims that they were underrepresented in the 1991 census, the ICFY process led to the involvement of the Council of Europe, the EU and the Swiss Statistical Office in rerunning the census in 1994.<sup>126</sup>

The strategists reacted eagerly to the idea that the OSCE would establish one of its first monitoring missions in Macedonia to prevent spillover of the Bosnian war by monitoring Macedonia's borders with Serbia and Albania, as well as Macedonia's domestic conditions. After meeting with President Gligorov, PDP leader Halili and others, the delegation reported that "leaders of the [Macedonian] government were eager to receive the CSCE [as the organization was then known] Monitor Mission and to cooperate unreservedly in starting up spillover monitoring operations as expeditiously as possible."<sup>127</sup> The Macedonians welcomed a raft of other important, and some less important, representatives of international organizations, from the High Commissioner for National Minorities of the OSCE Max van der Stoep, who has visited Macedonia dozens of times since 1993, the Chairperson of the EU's Human Rights Commission Elizabeth Rehn and representatives of various European Parliamentary commissions and other organizations. At times this dizzying array of monitors, many of whom convened press conferences at the end of their visits offering opinions on Macedonia's most sensitive domestic issues, became confusing and irritating, but they remained strategically important to Macedonia's domestic peace and international acceptance.

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<sup>125</sup> Ackerman, 105.

<sup>126</sup> Ibid., 108. The results of the 1994 census turned out to be almost the same as the 1990 census.

In November 1992, after successfully negotiating the withdrawal of the Yugoslav Army earlier that year, President Gligorov officially requested that the United Nations deploy a preventive peacekeeping mission to Macedonia's border regions with Serbia, including Kosovo, and Albania. His request followed months of lobbying for such a force and especially for U.S. participation in it.<sup>128</sup> Canadian UN troops arrived in January 1993 on a temporary basis, followed by a permanent Nordic battalion. In the summer, a U.S. battalion joined the force (see below). The UN deployment, particularly with its U.S. contingent, was an important signal to Serbia that, despite a lack of international recognition, Macedonia's security mattered to the international community. Equally important, the UN deployment signaled international confidence in Macedonia's leaders and their strategy, which helped them maintain domestic support.

### *Euro-Atlantic Integration*

Macedonia actively sought to join virtually all international organizations it could, agreeing in the process to far-reaching international standards for the treatment of minorities, even though Greek obstruction delayed Macedonian membership in most organizations until late 1995. Macedonia was unusually united among political parties and across ethnic lines in favor of membership in the European Union and NATO, which was first proclaimed by unanimous resolution of parliament in 1993 and later confirmed by political parties at a roundtable meeting in October 1997. Unlike its neighbors, Macedonia had always been part of a larger political organization. Ethnic Macedonians and Albanians "shared [a] positive historical experience—that of having lived together

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<sup>127</sup> OSCE Secretariat 1992, quoted in *ibid.*, 134

<sup>128</sup> U.S. Diplomat, C, telephone interview by author, May 10, 2000.

for centuries under Ottoman rule.”<sup>129</sup> Both ethnic groups felt that Yugoslav at its best offered more opportunities than the smaller Macedonia.

Strategically, integration with Euro-Atlantic institutions offered an escape from the “Balkan cocktail” of historical antagonism of neighbors. Brussels, Geneva and Washington were places where, it was hoped, Macedonia’s identity and independence could be recognized on the basis of international standards, not power politics. Indeed, the enmity of neighbors enhanced support for Euro-Atlantic integration.<sup>130</sup> Ironically, broad domestic support for membership in the EU and NATO left Macedonia’s strategists with few cards to attract those organizations’ attention. They could not argue that signs of EU and NATO support were necessary to keep pro-Western political forces in power, as other countries did.

#### *Challenge to the Strategy: Tetovo University*

Macedonia’s strategists considered the demand for an Albanian language University in Tetovo to be a nationalist challenge to the process of building interethnic peace. The demand for Tetovo University emerged in the summer of 1994 from the radical PDP-A faction of the recently split PDP and was not among the handful of outstanding ethnic Albanian demands arising from interethnic negotiations.<sup>131</sup> The proposal for Tetovo University contradicted the understanding that the government would increase the availability of Albanian language elementary and secondary schooling while using quotas to attract greater numbers of Albanians to Skopje University. Moreover, Tetovo University was a poignant reminder of the role of completely separate education

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<sup>129</sup> Ackerman, 167.

<sup>130</sup> Macedonian official, B, interview by author, April 17, 2000, Skopje, Macedonia.

in fomenting separatism and radicalism at the University of Pristina in Kosovo. Finally, no international standard existed requiring countries to offer university level education in minority languages.

The demand for Tetovo University became a domestic and, to a certain extent, international *cause celebre* after the government used force to try to shut down its informal operations in February 1995. Tetovo University quickly became the most popular demand among ethnic Albanians, contributing enormously to the strength of the PDP-A. International reaction forced the government to allow the university to continue informal operations. While Macedonia's strategists convinced most international mediators, including the OSCE's van der Stoep (who continues to work the issue), that the method of opening the university was illegal and international standards did not require the government to approve it, Tetovo University was an example of outbidding by ethnic radicals that threatened Macedonia's strategy.

### *U.S. Reaction*

The United States responded to Macedonia in this period as an issue of regional security and U.S. domestic politics. Whether to recognize Macedonia quickly became an issue of high politics in Europe and the United States. After Germany led the European Community (later the European Union) in recognizing Croatia and Slovenia in early 1992, U.S. officials agreed with Presidents Gligorov and Izetbegovic of Bosnia that failure to recognize their countries would invite Serbian aggression. Deputy Secretary of State Lawrence Eagleburger, who had served in Yugoslavia, argued that the United States could not in good conscience recognize Croatia and Slovenia, which had violated

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<sup>131</sup> PDP-A leader Xhaferi led negotiations in support of the University. Ackerman, 107.

Helsinki principles in their quest for independence, and fail to recognize Macedonia and Bosnia, which had achieved independence peacefully and democratically.<sup>132</sup>

During March and early April, however, Greek Prime Minister Mitsotakis and his Foreign Minister pressed hard in the EC and bilaterally with American counterparts to “delay” Macedonia’s recognition. On April 6, the EC recognized Bosnia, and the United States followed the next day, recognizing Bosnia, Slovenia and Croatia. The Greek embassy in Washington energized Greek Americans to lobby against recognition, which was particularly effective in a U.S. presidential election year.<sup>133</sup> Eagleburger made a last push to recognize Macedonia after President Bush lost reelection, inviting President Gligorov to Stockholm in November 1992 for what appeared to be the announcement of recognition, only to cancel the meeting at the last moment.<sup>134</sup> The Clinton administration proved equally reluctant to challenge the domestic Greek lobby and Athens over recognizing Macedonia. In February 1994, however, the U.S. extended recognition while withholding diplomatic relations.

Without an embassy to report on politics in Macedonia during this period, the United States took relatively little interest in the country’s domestic strategy. Since the U.S. Embassy in Belgrade was stretched covering events in Bosnia, one relatively junior bilateral U.S. diplomat was sent, informally, to Macedonia primarily to report on the possibility of spillover of the Bosnian war.<sup>135</sup> At the same time, the United States sent a senior diplomat to establish and lead the OSCE monitoring mission, which was also

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<sup>132</sup> James A. Baker, III, The Politics of Diplomacy: Revolution, War and Peace, 1989-1992 (New York: Putnam’s and Sons 1995), 640.

<sup>133</sup> Ibid., 642; Michael Lund, “Preventive Diplomacy for Macedonia, 1992-1999: From Containment to Nation Building,” in Opportunities Missed, Opportunities Seized: Preventive Diplomacy in the Post-Cold War World, ed. Bruce W. Jentleson (Lanham, MD: Rowman and Littlefield 2000), 188.

<sup>134</sup> Macedonian politician, C, interview by author, April 17, 2000, Skopje, Macedonia.

<sup>135</sup> U.S. Diplomat, C, telephone interview by author, May 10, 2000.



principally concerned at that time with Macedonia's external challenges.<sup>136</sup> After the United States recognized Macedonia in 1994, it set up a small liaison office in Skopje, headed by a senior foreign service officer, that began to report on Macedonia's internal developments.

Continuing its approach to protecting Macedonia from external aggression, the United States supported President Gligorov's request for a UN preventive military deployment along Macedonia's border with Serbia/Kosovo and Albania. In the face of rising criticism in Europe and at home for inaction in Bosnia, particularly after the failure of Secretary of State Christopher's efforts to convince the Europeans to lift the arms embargo and strike the Serbs in Bosnia, the United States contributed a battalion of 300 troops to the UN force, which remained in Macedonia through the Kosovo crisis in 1999. The U.S. deployment, the first significant contribution of U.S. troops to a UN peacekeeping mission, fit with the Administration's desire to employ preventive diplomacy.<sup>137</sup>

Once engaged militarily, the United States took tentative steps toward working with Macedonia as a sovereign state, often led by the U.S. Defense Department and encouraged by the interests of the World Bank and IMF in establishing a relationship with Macedonia. In the spring of 1994, after Greece imposed a formal trade embargo following U.S. recognition of Macedonia, the United States expended further efforts to resolve Macedonia's relationship with Greece. The United States approved the UN's appointment of former Secretary of State Cyrus Vance, supported by an American Deputy, Herb Okun, to negotiate the differences between Greece and Macedonia, and

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<sup>136</sup> U.S. Diplomat, C, telephone interview by author, May 24, 2000.

<sup>137</sup> Lund, 143.

furthermore appointed Matthew Nimitz as a U.S. negotiator. Defense Secretary Perry visited Macedonia, kicking off a formal U.S.-Macedonian military relationship.

The increasing U.S. interest in Macedonia was underscored by the dramatic September 1995 Athens-Skopje negotiation by U.S. Assistant Secretary of State Richard Holbrooke and his team. The resulting Interim Accord lifted the Greek trade embargo, committed Greece not to oppose Macedonian membership in international organizations and provided for the exchange of diplomatic representatives. Macedonia agreed to change its flag, which had featured the star of Vergina found on Philip II's tomb, and to reassure Greece that it had no territorial aspirations. Differences over the country's name were deferred to UN negotiations.<sup>138</sup> Formal U.S. diplomatic relations followed in April 1996, with Christopher Hill, a member of Holbrooke's team, appointed as the first U.S. Ambassador.

### Opening the Economy

#### *Reform Strategy*

Macedonia's strategists, led by President Gligorov, favored a market economy and recognized that, for a small, poor country like Macedonia, international economic integration was the only option. Among the populace, however, the picture was more mixed. About one half of ethnic Macedonians, many of whom worked in oversized industrial enterprises, opposed the transition to a market economy, while only one third supported it. In contrast, about 85 percent of ethnic Albanians supported the transition, probably because they saw greater opportunities in the free market than under a state

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<sup>138</sup> See Richard Holbrooke, *To End a War* (New York: Random House 1998), 121-127; the Interim Accord may be found at <http://www.macedonia.se.org/document/interimaccord.htm> (May 30, 2000)

system which they perceived as discriminatory.<sup>139</sup> Albanians were the first of Yugoslavia's ethnic groups to work abroad, mostly in Europe, in large numbers, and they established a virtual second economy in Macedonia relying heavily on capital from the diaspora.<sup>140</sup>

Macedonia's strategists sought to open the economy within the confines of domestic politics and international support. Their priorities were to: establish quick monetary independence from Serbia; control inflation; liberalize trade; attract foreign investment; and, lastly, cautiously privatize enterprises to avoid exacerbating unemployment which could strengthen the nationalist Macedonian opposition. The strategy succeeded in establishing independence from Serbia and, with delayed international support, taming inflation. Liberal reform laws helped boost foreign trade, despite international trade sanctions on Serbia and an economic embargo by Greece, but failed to attract foreign investment, due to Macedonia's perceived political risk as well as shortcomings in creating an international business environment. Privatization began slowly and was dominated by management-worker buyouts, which hardly changed the behavior of formerly state enterprises.

### *Monetary Independence*

Replacing the Yugoslav dinar with Macedonian currency was a delicate and vital step to implementing the independence referendum of November 1991. One month after

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<sup>139</sup> Based on a 1995 opinion poll, the findings of which were consistent with a 1993 poll. See, USIA, Office of Research and Media Reaction, Opinion Analysis, Public in the FYROM Negative on Economy (Washington: 1995), 3.

<sup>140</sup> Political scientist, specializing in Albanian issues, interview by author, April 13, 2000, Washington, DC. See also, Duncan M. Perry, "The Republic of Macedonia: finding its way," in Karen Dawisha and Bruce Parrott, Politics, power, and the struggle for democracy in South-East Europe (Cambridge: Cambridge University Press, 1997), 121.

President Gligorov negotiated the complete withdrawal of Yugoslav military forces in March 1992, Macedonia established monetary independence. The new currency, the denar, was abruptly introduced on April 27, when people had two days to exchange Yugoslav dinars at a one-to-one rate.<sup>141</sup> An independent central bank controlled monetary policy.

The establishment of economic independence from Serbia was a major achievement of Macedonia's first, technical 'government of experts,' supported by all political parties, including the nationalist VMRO. The leaderships of both dominant ethnic Macedonian parties, VMRO and the Social Democrats, supported quick and thorough independence from Serbia. Monetary independence was successfully established without international assistance.

### *Control Inflation*

As the economy contracted dramatically, due to lost markets and the Greek embargo, the central bank financed enterprise losses, leading to hyperinflation nearing 2,000 percent in 1992.<sup>142</sup> The Parliament passed a "heterodox" anti-inflationary stabilization package of price and wage controls and traditional monetary policy, together with the law establishing monetary independence. The package had some success in curbing inflation, but foundered on a failure to receive anticipated international financial assistance, a wage increase passed by Parliament in July 1992, and continued growth in money supply and credits to the agricultural sector. A revised program in October 1992 clamped down harder on wages and prices with some success. In June 1993, Macedonia

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<sup>141</sup> Wyzan, 205.

<sup>142</sup> International Monetary Fund, table 19, FYRM Price Indices, 1992-98, 95.

actually registered the largest monthly deflation of .9% in Eastern Europe. But foreign exchange reserves remained low, real dollar wages began to climb toward the end of the year, and budget deficits grew as revenues dipped.<sup>143</sup> Without foreign assistance, which was blocked by Greek objections to Macedonia's membership in international institutions, full macroeconomic stabilization was proving difficult.

In April 1993, Macedonia was admitted to the United Nations, IMF and EBRD, over strenuous Greek objections, under the temporary name "The former Yugoslav Republic of Macedonia." Macedonia could not receive loans from the World Bank, however, until it covered \$107 million in arrears inherited from Yugoslavia. In February 1994, more than two years after independence, Macedonia gained admittance to the World Bank. Arrears were settled with \$22.5 million of Macedonia's own scarce foreign reserves (which had been built from virtually zero at independence, partly through violations of international sanctions on Serbia), along with donations from several Western countries (including \$10 million from the Netherlands and \$5 million from the United States), George Soros (\$9 million), the IMF (\$17.5 million credit) and the World Bank and IDA (\$32 million credit).<sup>144</sup>

As Macedonia's membership in the World Bank was being finalized, a third, comprehensive stabilization program was launched in December 1993, this time with "financial, technical and moral" support from the IMF, World Bank and EBRD, aimed at restoring wage discipline by law, directing monetary policy to fight inflation (and away from supporting economic sectors) and new fiscal measures for both revenues and

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<sup>143</sup> Wyzan, 205-8.

<sup>144</sup> Wyzan, 212.

expenditures.<sup>145</sup> With international assistance, the government brought the budget under control and deficits dropped to less than 3% GDP in 1994 and .5% GDP in 1995 and 1996.<sup>146</sup> Macedonia began to enjoy the strongest macroeconomic stability in South-Eastern Europe, save Slovenia, through 1999. As one observer concluded, “the authorities deserve a great deal of credit – in both the literal and figurative senses of the word – for their diagnosis of the problems and the progress made in solving them.”<sup>147</sup>

### *Liberalize Trade*

Almost from the day it declared independence, external factors inhibited Macedonia's trade. Macedonia immediately lost its preferential access to the Yugoslav market of some 22 million, and Belgrade selectively interfered with Macedonian exports crossing its border for Serbia and the rest of Europe. Within months, in 1992, the United Nations imposed trade sanctions on Yugoslavia, which Macedonia was obliged to enforce, though violations occurred (see below). Greece, trying to pressure Macedonia to change its name, flag and constitution, imposed informal, yet effective, embargoes on fuel imports in 1992, which forced Macedonia to import fuel by truck from the Black Sea across Bulgaria instead of using rail links to the much closer port of Thessaloniki. Greece instituted a total trade embargo beginning in February 1994. Finally, Macedonia's competitive exports to the West were often in “sensitive” products, in such

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<sup>145</sup> Ibid., 210.

<sup>146</sup> International Monetary Fund, 45.

<sup>147</sup> Wyzan, 213.

areas as food processing, textiles, footwear and steel, on which the European Union and the United States assigned relatively high tariffs.<sup>148</sup>

In the face of these obstacles, Macedonia enacted significant structural reforms in May 1993, under the Social Democratic led coalition government of Prime Minister Crvenkovski. New laws were passed on foreign trade, foreign investment, foreign exchange and foreign credit. In 1995, Macedonia enacted legislation lowering and rationalizing tariff structures, removing import and export quotas, and harmonizing rates with the EU. The removal of quotas led the IMF to classify Macedonia as an "open" economy for non-tariff barriers and "moderate" for tariffs, a considerable improvement over its previous classification of "moderate" and "restrictive." The new trade regime received praise from domestic critics as well.<sup>149</sup> In 1995, Macedonia received observer status in the WTO and submitted its trade policy for WTO review.<sup>150</sup>

Trade grew dramatically under these conditions from one of the smallest sectors of the economy in 1992, in terms of percentage of GDP, to the second largest, after mining and industry, by 1995.<sup>151</sup> Largely fueled by an average growth in imports of ten percent per year,<sup>152</sup> Macedonia's trade quickly outpaced the average for other lower-middle-income group countries.<sup>153</sup> The downside was a growing balance of payments gap that put increasing pressure on the exchange rate in 1997.

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<sup>148</sup> Biljana Sekulovska-Gaber, "Macedonian Exports: A Small Country Case," Eastern European Economics, November/December 1996, 24

<sup>149</sup> Mihail Petkovski and Trajko Slaveski, "Foreign Trade in the Republic of Macedonia," Eastern European Economics, January/February 1997, 60, 67; Wyzan, 214, International Monetary Fund, 77-78.

<sup>150</sup> International Monetary Fund, 75.

<sup>151</sup> *Ibid.*, Table 8, FYRM: Gross Domestic Product by Economic Activities, 1992-97, 84.

<sup>152</sup> *Ibid.*, 73.

<sup>153</sup> World Bank, Macedonia, FYR at a glance, September 20, 1999 <http://www.worldbank.org>.

### *Attract Foreign Investment*

Macedonia enacted “the most liberal” foreign investment regime in Eastern Europe, “with no requirement for permission to invest, no restrictions on repatriation of profit or on the activities in which one may invest, and tax breaks promised to foreign investors.”<sup>154</sup> Concerns over sovereignty were less apparent than in other transition economies, with almost 60% of ethnic Macedonians believing foreign investment would benefit the economy and 90% of ethnic Albanians agreeing, according to a 1995 poll.<sup>155</sup>

The results, however, were dismal, largely due to the perception of political risk and regional instability. Macedonia consistently had one of the lowest levels of foreign investment as a percentage of Gross Domestic Product of any Eastern European economy in transition.<sup>156</sup>

### *Privatization*

Privatization presented Macedonia’s reformers with the thorniest political dilemma. There was deep skepticism, particularly among ethnic Macedonians, over the merits of private ownership.<sup>157</sup> Given the history of high unemployment, fear of unemployment was more prevalent in Macedonia than in other transition economies. In 1995, 60% of Macedonians agreed that the “government should prevent unemployment, even at the expense of economic modernization in the near future.” A full 67% of ethnic Macedonians and 51% ethnic Albanians anticipated losing their jobs within the next

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<sup>154</sup> Wyzan, 214.

<sup>155</sup> USIA, 3.

<sup>156</sup> International Monetary Fund, 23, 104.

<sup>157</sup> 50% ethnic Macedonians favored state ownership while 38% favored private ownership for Macedonia’s state enterprises, while the corresponding figures for ethnic Albanians were 23% and 65%. USIA, 3.



twelve months.<sup>158</sup> The nationalist VMRO party took up Macedonians' concerns, supporting a significant state role in the economy and protectionism for Macedonian industry, without opposing the privatization process.<sup>159</sup>

Central to any privatization model for Macedonia was how to accumulate capital and managerial ability, both in extraordinarily short supply, in large enterprises. Many enterprises in Macedonia had taken advantage of the 1990 'Markovic Law' which allowed enterprises to privatize by selling discounted shares to workers who generally opposed restructuring that would lead to layoffs. Moreover, Macedonian officials often agreed with workers and managers that enterprises should be privatized only when they could be sold at fair prices, which the external environment and a lack of domestic capital precluded.

The privatization law passed by Parliament in June 1993 remains controversial today. The solution offered was not mass privatization, as in the Czech Republic, Slovakia or Russia, nor finding buyers to pay outright for assets as in Hungary and Bulgaria, but a multifaceted, case-by-case approach that gave managers and workers significant opportunities for purchase. To address the lack of domestic capital, the method's "biggest novelty [was] a form of leveraged buyout," in which a management team could gain 51% of voting shares with just 10 or 20% down payment which could be paid by shares already owned.<sup>160</sup> The result was that most privatizations were one or another form of management and worker buy-out, which left managers and workers in place. Reformers hoped that foreign investors would also take advantage of a 'trial

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<sup>158</sup> USIA, 2-3.

<sup>159</sup> Trajko Slaveski, "Privatization in the Republic of Macedonia: Five Years After," Eastern European Economics, January/February 1997, 45.

<sup>160</sup> Wyzan, 216.

period' of ownership with a commitment of just 10-20% capital. A lack of foreign interest and significant holes in the overall program, however, meant this possibility went unrealized. The overall security environment in the Balkans did not improve. Moreover, Macedonia failed to aggressively pursue economic diplomacy to attract investment and promote exports. In particular, the Chamber of Commerce remained a socialist-era institution intent on protecting its own prerogatives.

Privatizations began slowly, with only ten to fifteen percent of state owned companies privatized by mid-1995.<sup>161</sup> The World Bank succeeded in eliminating the requirement that each company be individually evaluated before privatization.<sup>162</sup> In 1995 the government restructured twenty five of the most indebted state enterprises, dramatically expanding the ranks of unemployed.<sup>163</sup> The uncertainty that had left enterprises in financial limbo for almost two years before the privatization law was replaced by accusations that management teams acquired businesses below market value.<sup>164</sup>

Leading enterprise managers used a variety of schemes, including coercion, depleting assets, and pledges not to fire workers, to purchase shares cheaply from workers. They also strenuously opposed tax enforcement and liberalized trade. These managers coalesced in the small yet influential Liberal Party, which largely controlled oil imports and distribution through the state company MakPetrol and gained influence over Macedonia's major daily newspaper, Nova Makedonija. Using these platforms, they undermined public confidence in the reform agenda, stoking fears of unemployment and

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<sup>161</sup> Perry, 117.

<sup>162</sup> Macedonian intellectual, C, interview by author, April 19, 2000, Skopje, Macedonia.

<sup>163</sup> International Monetary Fund, 34.

<sup>164</sup> See Slaveski, 34.

inequities in the privatization process. President Gligorov checked their influence until an assassination attempt in October 1995 removed him from power for several months. While Gligorov recovered, the rift between the Social Democrats and the Liberals broke into the open, and Prime Minister Crvenkovski ejected the Liberals from the governing coalition in February 1996.<sup>165</sup>

### *Sanctions Violations*

Before gaining access to credits from international financial institutions in 1994, Macedonia had little choice but to rely on violating international sanctions on Serbia to help build foreign reserves, which were virtually non-existent at independence. Macedonia also acquired foreign reserves through remittances while deferring payments on inherited debt.<sup>166</sup> While there are no hard data on the violations of sanctions, knowledgeable observers describe a system of selective sanctions violations, mediated if not controlled by the government in Skopje in cooperation with authorities in Belgrade. Sanctions violations thus generated both foreign reserves and cushioned the government's budget. Most remarkably, by remaining under government purview and involving established companies, sanctions violations did not spawn organized criminals to the extent it had elsewhere. Nevertheless, sanctions violations probably did contribute to corruption and organized criminal activity in Macedonia.<sup>167</sup>

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<sup>165</sup> Macedonian intellectual, C, interview by author, April 19, 2000, Skopje, Macedonia.

<sup>166</sup> Greece cynically justified its 1992 trade embargo by claiming that it was preventing Macedonian sanctions violations.

<sup>167</sup> Duncan Perry, "Macedonia: Balkan Miracle or Balkan Disaster?" Current History, March 1996, 117.

### *The Economy by 1995*

With the economy in deep depression since independence, Prime Minister Crvenkovski said in 1995 that “the economy and the people are totally exhausted.”<sup>168</sup> GDP contraction bottomed out in 1993, when output was one third less than before independence, but remained negative through 1995,<sup>169</sup> long after it had reversed course in other transition economies.<sup>170</sup> It is difficult to assess the relative importance of restructuring and external shocks, but by 1995 79% Macedonians said the economy was in bad shape, compared to 41% in 1993. Seventy-one percent believed the economy was better under communism.<sup>171</sup> Unemployment continued to rise, with the largest spike in 1995, which coincided with restructuring and cuts in subsidies to enterprises. The percentage of workers receiving late wages also made an inexorable climb from 23% in 1994 to 41% in 1997.<sup>172</sup>

### *U.S. Reaction*

After contributing 5 million dollars to settle Macedonia’s World Bank arrears in early 1994, the United States provided only multilateral economic support to Macedonia through the World Bank and, later, the IMF. The United States established a mission from the Agency for International Development which aimed mainly at humanitarian assistance, as did its EU counterpart, PHARE.

The United States missed an enormous opportunity to offer political support for Macedonia’s economic transition in 1993-95 because its lack of formal recognition left it

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<sup>168</sup> Quoted in USIA, 1.

<sup>169</sup> International Monetary Fund, 6.

<sup>170</sup> Perry, “finding its way,” 262.

<sup>171</sup> USIA, 1.

without senior bilateral representation in country. Washington was instead preoccupied from the arrival of its first representative in July 1992 with pressing Macedonia to enforce sanctions on Serbia. Bilaterally, Washington pressed Macedonia to reduce its textile exports to the United States after both Slovenia and Macedonia sought to fill the former Yugoslavia's entire quota.<sup>173</sup> The European Union's slow reaction to Macedonia's economic reforms delayed Macedonia's redirection of trade away from dependence on Serbia.

### *Conclusion*

The remarkable reform path that Macedonia followed from 1992-95 laid the ground work for small economic growth in 1996. Monetary independence established in 1992 was the result of a political consensus among ethnic Macedonian political parties in favor of immediate and complete separation from Yugoslavia. The reform laws of May 1993, which began to earn Macedonia international respect and praise, were largely the work of a group of domestic political and intellectual leaders before the first World Bank and IMF engagement in the stabilization package of December of that year. The privatization process was less successful, though with a dearth of foreign or domestic capital or alternative management expertise, it is difficult to see how it could have worked much better.

Perhaps most important for Macedonia's survival was that its economic reform strategy fundamentally opened the economy and embraced assistance from international financial institutions, an approach that has historically reduced the likelihood of state

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<sup>172</sup> International Monetary Fund, Table 16: FYRM: Labor Force, Employment, and Unemployment, 1992-97, 92; 14.

failure. An unintended side benefit of Macedonia's market transition was its popularity among the otherwise disaffected Albanian minority. Finally, the sheer achievement of surviving this harsh economic period had the effect of giving Macedonians greater confidence and unity in consolidating their new state.<sup>174</sup>

The international reaction to Macedonia's economic straits included relatively little concrete assistance. Preventive diplomacy, the watchword of early Western engagement in Macedonia, had no economic component.<sup>175</sup> In retrospect, it is remarkable that the United States and other countries were willing to station troops in Macedonia beginning in 1993, at an overall cost to the UN of 50-60 million dollars per year,<sup>176</sup> but were unwilling to offer debt relief or trade concessions to a country that proved its commitment to economic reform.

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<sup>173</sup> U.S. Diplomat, C, telephone interview by author, May 10, 2000.

<sup>174</sup> Ljubomir Frckoski, Model of the Interethnic Relations in Macedonia (Skopje, Macedonia: Krug 1998), 80-82.

<sup>175</sup> Alice Ackerman, Making Peace Prevail: Preventing Violent Conflict in Macedonia (Syracuse: Syracuse University Press 2000), 129: "Indeed, if one lesson is to be learned with regard to UNPREDEP, it is that preventive diplomacy and preventive deployments must be supplemented with economic assistance." See also Michael S. Lund, "Preventive Diplomacy for Macedonia, 1992-1999: From Containment to Nation Building," in Bruce W. Jentleson, Opportunities Missed, Opportunities Seized: Preventive Diplomacy in the Post-Cold War World (Lanham, MD: Rowman and Littlefield Publishers, Inc 2000),

<sup>176</sup> Bradley Thayer, "Macedonia," in Michael E. Brown and Richard N. Rosecrance, The Costs of Conflict: Prevention and Cure in the Global Arena (Lanham, MD: Rowman and Littlefield Publishers, Inc 1999), 138-39.

## **Chapter V**

### **Strategy Under Pressure: 1996-1998**

Macedonia's government continued to rely on the strategy of openness after October 1995, when an assassination attempt nearly killed President Gligorov and Greece lifted the trade embargo and stopped trying to isolate Macedonia, and through the parliamentary elections in October and November of 1998, a period of extraordinary domestic and regional turbulence. The assassination attempt removed President Gligorov from the political scene for three months, challenging the strategists who had worked under his aegis. Even after his extraordinary recovery, Gligorov's preeminence was somewhat diminished, though important issues could not be decided without him. Leadership shifted to the able Prime Minister Crvenkovski, who eventually had to sacrifice key intellectuals to maintain the government's political support. This, in turn, disappointed some of the journalists, professionals and business leaders who had previously actively supported the strategists. The strategists thus lost some of their unity as political compromises were made, but they remained committed to the basic elements of the strategy.

In these circumstances, the challenges to Macedonia's survival mutated. The potential for ethnic conflict rose, as nationalist ethnic Macedonians and Albanians took to the streets in 1997—producing another challenge to the strategy over the Albanian flag in Gostivar—then fell as VMRO dropped its nationalist agenda and the radical Albanian party opted to pursue its agenda in electoral politics. The Interim Accord ended Greek-

inspired international isolation and the trade embargo, though Macedonia had trouble making up for time lost in its international relationships and in the economy. Similarly, international sanctions on Serbia ended with the signing of the Dayton Agreement. The threat from three neighbors—Albania, Serbia and Bulgaria—changed from antagonism to instability as each experienced tremendous political-economic upheavals in 1997. In 1998, escalating violence and demands for independence in Kosovo strengthened Albanian nationalism.

### Political Openness

#### *Multiethnic Government*

Throughout the period, the governing parties remained strategically committed to their multiethnic coalition. Prime Minister Crvenkovski tried to bolster the position of his Albanian PDP coalition partner against the nationalist challenge from the PDP-A without forfeiting ethnic Macedonian support for the Social Democrats to VMRO. When Crvenkovski ousted the Liberal Party from the governing coalition as Gligorov convalesced, he increased PDP representation in the government from four to six ministers, which now included the powerful ministry of Transportation and Communications. Nevertheless, the PDP did poorly in local elections in the autumn of 1996, losing ground to the PDP-A.

Nationalist Macedonian reaction to establishing an Albanian-language pedagogical faculty at Skopje's University (see below), however, constrained the Social Democrats from breaking new ground on Albanian concerns. The gradually accruing benefits of multiethnic government, which included a growing voice in government and



increasing representation in higher education,<sup>177</sup> state administration and the military, were largely drowned out by the demand for Tetovo University. Tetovo University shifted the ethnic debate so radically that the PDP actually voted against the law establishing the Albanian language pedagogical faculty at Skopje University in January 1997, although the coalition had agreed on the measure years earlier. PDP leaders explained that the pedagogical faculty would undermine support for Tetovo University, and had thus come too late.

The PDP publicly threatened to quit the government on several occasions, but could not do so without handing a political victory to the PDP-A, which the PDP leadership viewed as its archenemy. According to PDP leaders, PDP-A used heavy handed tactics, including coercion and violence, to gain support in western Macedonia, particularly in villages. A mysterious fire in the warehouse of the PDP candidate for mayor of Tetovo was ascribed to political intimidation. At particularly difficult moments for the coalition, leaders of both parties sought and received reassurance of U.S support for multiethnic government.

### *Marginalizing Nationalists*

*VMRO and Macedonian Nationalism:* The government largely succeeded at marginalizing VMRO through the elections in 1998, by which time VMRO had dropped its nationalist appeals. In late 1995 and early 1996, VMRO sought to justify its boycott of the 1994 elections by collecting some 600,000 signatures demanding early elections by

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<sup>177</sup> In February 1997, the Daily Newspaper *Nova Makedonija* cited these figures for ethnic Albanian representation at Skopje University: 1992-93: 4%; 1994-95: 6.5%; 1995-96: 7.93%; 1996-97: 7.3%. These figures were not confirmed. Lower test scores were required for a 10% quota. Quoted in Alice

March 1996. The Constitutional Court ruled the petition invalid, and Parliament passed a law regulating such petitions that confirmed the court's decision, leading to a short-lived popular outcry.

VMRO then rallied around the resistance of faculty and students at Skopje's University and secondary schools to the January 1997 law mandating Albanian language education at the pedagogical faculty. VMRO leaders participated in several demonstrations which included protesters carrying signs such as "Death to Albanians" and "Albanians to the Gas Chambers" and expressed support for student hunger strikers. The simultaneous breakdown in civil order in neighboring Albania provoked ethnic Macedonian fears and provided further impetus to the demonstrations.

Sensing an issue that could prompt early elections, VMRO planned a massive demonstration in mid-March to demand the resignation of the government. VMRO leaders then cancelled the demonstrations upon reconsideration, with the help of advice from the United States. Instead they met with Prime Minister Crvenkovski to discuss possible early elections. After some negotiation, the two sides could not agree on the timing of elections. The nationalist crest soon faded, however, when the government removed the recalcitrant dean of the pedagogical faculty and took a hard line in July against the flying of the Albanian flag at the mayor's offices in the largely ethnic Albanian cities of Gostivar and Tetovo (see below).

The United States and other Western powers strongly encouraged VMRO to drop nationalist appeals and focus on organizing for the 1998 parliamentary elections. The OSCE, backed up by Western embassies and several non-governmental organizations,

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Ackerman, Making Peace Prevail: Preventing Violent Conflict in Macedonia (Syracuse University Press 2000), 92.

pledged to monitor the elections strictly, and several Western countries offered VMRO, along with other parties, high level visits and technical assistance. Many of Macedonia's original strategists were deeply skeptical that VMRO could govern without resorting to nationalism or tilting Macedonia dangerously toward Bulgaria. Recognizing the government's vulnerability after six years in power, particularly on the economy, VMRO campaigned energetically and fully participated in elections, while abstaining from nationalist rhetoric. VMRO's remarkable transition from its early nationalism was a singular achievement of Macedonia's strategy.

*Democratic Party of Albanians and Albanian Nationalism:* The strategy was only partially successful at marginalizing Albanian nationalism during this period. After winning significant support in the municipal elections in late 1996, the PDP-A shocked ethnic Macedonians with a militant party convention in early summer 1997 featuring separatist speeches, including by PDP-A leader Arben Xhaferi. The PDP-A changed its name at the convention to the Democratic Party of Albanians (DPA). With foreigners, Xhaferi argued, in a soft-spoken intellectual's style, that civic, unitary democracy was a means by which ethnic Macedonians, who differed little from Serbs, dominated Albanians. The only solution to maintaining Macedonia's integrity, he maintained, was a grand settlement resulting in autonomy for ethnic Albanians, including the right to veto laws and policies that affected them. Xhaferi's position directly clashed with the strategy.

Xhaferi took a long-term approach, however, partly because support for such a radical position was tenuous. Xhaferi had responsibilities toward the Albanian cause in Kosovo, where he had worked as a journalist, his wife was born and his brother lived.

Independence for Kosovo, which he advocated, would require support from the United States, which was committed to Macedonia's integrity. Moreover, Albanian nationalism was not deep in Macedonia, despite the appeal of Tetovo University.<sup>178</sup> Thus, Xhaferi avoided casting himself as a spoiler in Macedonia, while he maintained his radical rhetoric. The intensification of ethnic conflict in Kosovo in 1998 provided Xhaferi an opportunity to play a responsible public role—he did not incite protests—while consolidating political support by organizing homes for a steady stream of Kosovars taking temporary trips to Macedonia to avoid the violence. The DPA increasingly whittled away support from the PDP.

Xhaferi's strategy was temporarily interrupted by DPA mayors who wanted to pursue a more confrontational line. The charismatic new mayor of the largely Albanian city of Gostivar, Ruzi Osmani, fulfilled a campaign pledge by hoisting the flag of Albania on the municipal building in early 1997; the new Albanian mayor of Tetovo, Aladin Demiri, did the same. Macedonia's Constitutional Court ordered that flying the flag of a foreign state on municipal buildings was unconstitutional. The mayors responded that the flag was the flag of all Albanians, not just those in Albania.<sup>179</sup> The government sought to negotiate a new law on flying flags, but could not reach agreement with Albanian leaders. The Constitutional Court ordered the government to remove the flags, and police did so during the night of July 9, 1997. Confrontations the next day in Gostivar between police and protesters left three Albanians dead. Human rights organizations criticized the actions of the police and Prime Minister Crvenkovski for giving the besieged police a

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<sup>178</sup> Political scientist, specializing in Albanian issues, interview by author, April 13, 2000, Washington, DC.

<sup>179</sup> On the evening of the Constitutional Court order that the flags be removed, Ambassador Hill hosted a reception to bid farewell to the Embassy's political officer. Xhaferi, Demiri and other ethnic Albanian leaders attended, as did Georgievski and other VMRO leaders, as well as government officials. Despite the

'thumbs-up' sign upon their return to Skopje. Both Osmani and Demiri received severe prison sentences, which were later reduced; both were granted early release under a controversial law passed by the new parliament in early 1999, as part of a coalition arrangement between DPA and VMRO.

Many observers worried that the Gostivar flag incident was a potential "accelerator" of ethnic conflict, reminding ethnic Albanians of their differences with Macedonians. Instead, ethnic Macedonians and Albanians alike were stunned by the events in Gostivar, and stepped back from confrontation. Xhaferi's long-term strategy was saved only by the abuses of the Macedonian police, which caught international attention.

Like VMRO's leaders, Xhaferi expressed hesitation over participating in the 1998 parliamentary elections. Early that year, he raised the possibility that DPA would boycott elections, proposing instead interethnic negotiations to strike an historic compromise with the ethnic Macedonians. The United States and other Western countries unambiguously rejected the idea. (The American Ambassador suggested Xhaferi ask VMRO what four years outside parliament was like.) In the end, the prospect of entering multiethnic government provided by Macedonia's strategy convinced the DPA to participate, with its nationalism muted but intact.

### *Constructive Relations with Neighbors*

Macedonia maintained its strategy of constructive relations with neighbors, weathering a period characterized more by regional instability than by antagonism.

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gravity of the situation, all the guests engaged in lively conversation with each other, leaving embassy officers with the impression that this crisis, too, would pass.

Albania imploded in violence in early 1997, after pyramid schemes collapsed, leaving Macedonia's western border suddenly wide open to armed smuggling, which provoked considerable fear in Macedonia. Albanian government authorities disappeared literally overnight from border stations. Looters destroyed the Albanian border station and cut down all surrounding trees at Qafasan on the northern end of Lake Ohrid, while armed bandits were visible at the crossing point on the southern end of the lake.<sup>180</sup> After initial hesitations, the new Albanian government agreed to establish constructive relations with Macedonia, which again helped manage Macedonia's ethnic relations.

Macedonia maintained equally steady policies toward Serbia and Bulgaria, which also experienced instability in 1997, but its main challenge was rising violence in Kosovo in 1998. Macedonian leaders assiduously avoided provoking Serbia, even as they agreed to NATO military fly-overs to demonstrate Western opposition to Belgrade's repression. Although Serbia had recognized Macedonia in 1996 Belgrade continued to obstruct the demarcation of the border, which Macedonians interpreted as maintaining a pretext for possible future military intervention, despite the presence of the UN deployment.

### *Western Involvement*

Macedonia remained committed to involving Westerners in managing its internal and external threats despite a growing undercurrent of dissatisfaction with such international missions, due to several developments. First, Macedonia did not need to rely on international missions to confer recognition after the Interim Accord allowed it to become a member of international organizations, such as the OSCE and COE. Second, the OSCE and the UN, which added a political office to its deployment in 1994 and

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<sup>180</sup> Author's observations during a visit of Assistant Secretary of State John Kornblum.

strengthened its political role in 1996, became increasingly convinced that the threats to Macedonia's survival were internal, and thus concentrated on monitoring the government's approach to ethnic problems. This generated some perception among ethnic Macedonians that these organizations were more interested in supporting ethnic Albanian grievances than in Macedonia's survival. Third, the government began to perceive that international monitoring missions were a liability to Macedonia's efforts to portray itself as a stable country that should be a serious candidate for EU and NATO membership as well as for foreign investment. As a senior Macedonian official once remarked, "The positive side of the UN deployment is U.S. troops; the negative side is everything else."

Nevertheless, Macedonia's leaders did not change their strategy of hosting monitoring missions. As pragmatists, they knew that eliminating such missions could jeopardize bilateral relationships, particularly with the United States, and trigger condemnation from the human rights community. They thus repeatedly requested extension of the UNPREDEP mission, though they would have preferred a NATO or bilateral U.S. deployment, and the OSCE mission, even as it increased its numbers. Macedonia did succeed in shedding a semi-annual human rights review of Dayton countries (of which it was not one) conducted by an EU's human rights official, Elizabeth Rehn, but not without some misgivings by Western representatives in Geneva. The strength of Macedonia's continued openness to foreigners was that it provided concrete evidence that Macedonia was different from Serbia, at a time when membership in the EU and NATO, as well as significant foreign investment, was unlikely.

### *Euro-Atlantic Integration*

Macedonia's leaders sought to use the removal of the Greek veto on Macedonia's relations with the EU and NATO to catch up to their rightful place in the membership process for both organizations. But the EU refused to remove Macedonia from the group of ostracized "regional approach" countries (Serbia, Croatia, Bosnia and Albania) which were only permitted to approach EU membership together, as an incentive to regional cooperation. Macedonia had been placed in this group when Greece objected to its receiving associate membership status along with Bulgaria and Romania. EU diplomats privately explained that removing Macedonia would have opened sensitive issues of Croatia's and Turkey's EU relationship. Macedonians believed the Greeks were still opposing them, together with some EU members.

NATO appeared to offer more opportunity, and Macedonia enthusiastically participated with meager military and diplomatic resources in Partnership for Peace exercises and discussions in Brussels. NATO integration teams were formed at the ministries of defense and foreign affairs. The teams made intensive preparations for the visit in February 1998 of a senior U.S. interagency team that hashed out an action agenda for political-military and economic reforms with the goal of supporting Macedonia's NATO aspirations.<sup>181</sup> Macedonia put its relationship with NATO ahead of concerns over Serb retaliation when it agreed to NATO fly-overs to demonstrate NATO's resolve to stop repression in Kosovo. Macedonia continued to have difficulty, however, in garnering serious attention for NATO membership because it was perceived as too weak and not ethnically stable.



### *U.S. Role*

With the establishment of full diplomatic relations, the United States played a more active role in supporting Macedonia's strategy. Building on the liaison office established in the summer of 1994, the embassy became more engaged in domestic politics, working closely with the government, VMRO and DPA. The United States began to support economic transition through small but growing amounts of technical assistance through the U.S. Agency for International Development, and small quantities of military assistance. In 1998, the embassy began to systematically report on economic developments after successfully justifying an economics officer to the State Department. The U.S. Embassy became the largest diplomatic mission, after the Russian, and clearly the most active.

### Economic Strategy

Macedonia continued its strategy of opening the economy by liberalizing trade and seeking foreign investment while maintaining stability from 1996 through parliamentary elections in 1998. Domestic political realignments following the assassination attempt on President Gligorov, new external shocks of economic breakdowns in Albania and Bulgaria, the collapse of a domestic savings house and a significant currency devaluation slowed the pace of reforms, but did not derail Macedonia's strategy of openness. With basic reforms in place, Macedonia adopted highly conservative fiscal and monetary policies, earning strong support from the World Bank and IMF. The economy registered its first real growth in 1996 of .9%, followed by

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<sup>181</sup> The U.S. team also visited Bulgaria, and a reinforced U.S. team visited Romania.

1.5% in 1997, and 2.9% in 1998.<sup>182</sup> A slower pace of reforms left a weak structure of corporate governance, particularly reforms of bankruptcy procedures, banking and privatization, without the benefit of foreign investment to spur the process. The West offered technical assistance, but actually withdrew capital from Macedonia in the form of debt repayments.

### *Political Context*

The assassination attempt on President Gligorov, who had shielded intellectual reformers from political attacks, led to an immediate and longer term political realignment. The Liberal Party, where most leaders of large enterprises congregated, had begun to oppose openly the government's reform program, even as a member of the governing coalition. While President Gligorov convalesced in the months after the October 1995 assassination attempt, Liberal Parliamentary Speaker Stoyan Andov, as acting President, moved into the presidential office and challenged the government's privatization program. Social Democratic Prime Minister Crvenkovski took the occasion to eject the Liberals from the governing coalition in February 1996, a move with which President Gligorov, the consummate inside player, never agreed.

The political shift played out into 1997, when, with parliamentary elections just one year away, Prime Minister Crvenkovski dropped from the government the politically unpopular architect of privatization, Deputy Prime Minister for Economic Affairs, Jane Miljovski, as well as Foreign Minister Ljubomir Frckovski, two intellectuals with little

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<sup>182</sup> International Monetary Fund, Former Yugoslav Republic of Macedonia: Recent Economic Developments, IMF Staff Country Report No. 98/82 (Washington: 1998), Table 2, FYRM: GDP Estimates, 1993-97, 20; World Bank, Macedonia, FYR at a glance, September 20, 1999 <http://www.worldbank.org>.

political base outside of Skopje. Both had come under attack by enterprise managers and the daily newspaper, Nova Makadonija. Local media reported a dramatic scene as the government reshuffle was being negotiated. To balance the loss of reformers, Crvenkovski reportedly tried to drop party insider and minister of Transportation and Communications Buzlevski, who was generally regarded as corrupt. Just as he was to announce the new government, the publisher of Nova Makadonija pressed Crvenkovski to keep the minister. A frustrated Crvenkovski kicked Buzlevski upstairs by making him a Deputy Prime Minister without portfolio.

While many worried that these moves signaled the end of Macedonia's reform agenda, Crvenkovski compensated by increasingly directing Macedonia's economic reform strategy himself. Crvenkovski impressed representatives of international financial institutions for his intelligence, knowledge of the economy, commitment to conservative economic policies, and personal involvement. The downside of Crvenkovski's approach was that his new economic ministers lacked the political support to instill the array of sometimes arcane but usually contentious reforms to strengthen corporate governance. Crvenkovski's final government, which was much more firmly based on the Social Democratic party, was much criticized for its torpor and corruption, though it did not derail Macedonia's basic economic strategy. Crvenkovski shifted emphasis from new domestic reform legislation to maintaining conservative macroeconomic policy and an unsuccessful effort to secure Western foreign investment to further open and spur the economy. Government leaders hoped that economic growth would pick up quickly enough to be felt in advance of elections in late 1998.

### *Control Inflation*

With hyperinflation of the early 1990s a fresh memory, Macedonia pursued highly conservative fiscal and monetary policies, with very little loosening even in the 1998 election year, resulting in inflation of virtually zero in 1996, 1.5% in 1997 and .8% in 1998.<sup>183</sup> To maintain fiscal discipline, the government squeezed public investment, among the few discretionary spending items, to just 2.8% GDP in 1996.<sup>184</sup> Plans for a government surplus in 1997 were scotched by a weak economy and poor tax collection, partly due to reduced import duties and profit taxes, resulting in a deficit of .4% GDP.<sup>185</sup> The deficit in 1998 was 1.7% GDP,<sup>186</sup> largely due to the postponed privatization of telecom (see below). Government employment, the most prominently skewed area of government spending, was almost double that of other lower and middle income economies, accounting for 2% GDP.<sup>187</sup> Cutting it, as demanded by the World Bank and IMF, was extremely difficult given Macedonians' extreme concern over unemployment. Furthermore, proactive affirmative action programs to increase the number of minorities in state administration made cuts even more difficult.<sup>188</sup>

### *Liberalize Trade*

To complement its open trade regime, enacted in 1995 with effect in July 1996, Macedonia sought free trade agreements with regional countries to enlarge its potential market for foreign investors and domestic producers. Macedonia signed trade

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<sup>183</sup> World Bank, 2.

<sup>184</sup> International Monetary Fund, 47.

<sup>185</sup> Ibid., 45-6.

<sup>186</sup> World Bank, 2.

<sup>187</sup> International Monetary Fund, 54.

<sup>188</sup> Ljubomir Frckoski, Model of the Interethnic Relations in Macedonia (Skopje, Macedonia: Krug 1998), 136.

agreements with Slovenia and Yugoslavia in 1996, Bosnia and Croatia in 1997 and sought similar agreements with Bulgaria and Turkey.<sup>189</sup> The short-run effect of regional free trade agreements was negligible, however, due to the lack of foreign investors and the lack of partners in the free trade agreement countries with access to developed markets, though the agreement with Yugoslavia helped restore trade relations.<sup>190</sup> The EU finally signed a Trade and Cooperation Agreement with Macedonia in November 1997, after Macedonia paid arrears to the European Investment Bank inherited from Yugoslavia, which simplified customs clearances and provided transportation funding from the European Investment Bank.<sup>191</sup> Throughout this period, however, the EU prevented the circulation of Macedonia's application for the World Trade Organization because Greece objected to its use of "MK" as its code.<sup>192</sup>

Macedonia's economy was clearly open for trading, in fact as well as in law. When the full effect of the liberalized regime was felt in 1997, together with a currency devaluation (see below), exports grew by 8% and imports shot up by 22%. In 1998, exports grew by 6% while imports grew 8%. The end of sanctions on Serbia in late 1995, together with the free trade agreement of 1996, led to a dramatic reestablishment of trade with Yugoslavia at the expense of trade with Bulgaria, which had ballooned temporarily in 1994-95 due to sanctions.<sup>193</sup> Financing the trade deficit was a constant problem, largely met through World Bank and IMF credits (see below).

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<sup>189</sup> International Monetary Fund, 78.

<sup>190</sup> Macedonian businessperson, A, interview by author, April 19, 2000, Skopje, Macedonia.

<sup>191</sup> International Monetary Fund, 78.

<sup>192</sup> WTO codes are normally based on the International Standards Organization, where Macedonia had succeeded in receiving the code MK. In 1999, the new government accommodated Greece by agreeing to an unusual numerical code, after several year's delay in Macedonia's WTO application process.

<sup>193</sup> See, World Bank, 2; International Monetary Fund, table 29, FYRM: Balance of Payments, 1993-97, 105; table 31, FYRM: Destination of Exports, 1992-97, 107; table 33, FYRM: Origin of Imports, 1992-97, 109.

### *Foreign Investment*

With its liberal foreign investment regime in place and growing free trade area, the government sought large, reputable Western investors to purchase remaining state owned companies or otherwise set up operations. Negotiations with Audi to assemble cars in Macedonia and Daimler-Benz to take over a bus assembly plant eventually fell through as even special concessions could not convince these companies to set up operations in a risky corner of the Balkans. Erste Bank of Austria committed to assume management control of Macedonia's largest bank, Stopanska, with the help of financing from the International Finance Corporation, but as Kosovo heated up in 1998, the Austrian bank, which had recently lost large sums in Russia, withdrew. The government offered unique concessions for American Insurance Group to purchase a controlling interest in Macedonia's dominant insurance company, but AIG also withdrew on the verge of signing in 1998. Prime Minister Crvenkovski personally lobbied for Western and especially U.S. investors to bid on Macedonia's crown jewel, the highly profitable Telecom, in 1998. After a profound lack of interest, except by Greece's state telecommunications company, and opposition accusations that the government would use the proceeds to buy victory in the parliamentary elections (as Milosevic had done in Yugoslavia), the offer was withdrawn. By 1998, Macedonia continued to attract among the least foreign investment per capita of all countries in transition.

## *Employment*

While statistics on Macedonia's employment are imprecise, unemployment in the formal economy clearly began at a high level and rose inexorably from independence through 1998, despite the generally slow pace of enterprise restructuring. Estimates ranged from 25 to 36 percent unemployed by the end of the period, though many of these people worked in the informal economy.<sup>194</sup> Prime Minister Crvenkovski sought to increase employment and reduce the informal economy through a law to exempt enterprises from social taxes on new hires for two years. The IMF was at first reluctant to support the measure, worrying that it would have little benefit for its cost to the budget, but later credited the law, passed on January 1, 1998, with creating at least 13,000 new jobs and moving more employees into the formal economy.<sup>195</sup> The law was designed to show that the government was trying to do something to alleviate unemployment in the election year, though many in Skopje criticized it as a gimmick.

## *Regional Economic Developments and Savings House Failure*

The lifting of the Greek embargo with the signing of the Interim Accord in October 1995 and the end of international sanctions on Serbia with the signing of the Dayton Agreement in Paris in December were good news for Macedonia's economy. With the end of sanctions on Serbia, however, a balance of payments surplus turned into a deficit, leading the central bank to tighten monetary policy to support the exchange rate. Moreover, by early 1997, the economies in Albania and Bulgaria were in collapse, undermining international confidence in the region and thus Macedonia's prospect of

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<sup>194</sup> See International Monetary Fund, Table 16, FYRM: Labor Force, Employment, and Unemployment, 1992-97, 92.

increasing exports or foreign investment.<sup>196</sup> Finally, in March 1997 a large Macedonian savings house, “TAT,” a partial pyramid scheme secured by few liquid assets, collapsed. While TAT proved to be an isolated case, its collapse on the heels of widespread pyramid schemes in neighboring Albania increased pressure on Macedonia’s exchange rate.

The government devalued the denar by 14% against the Deutsche Mark in July 1997, in accordance with the IMF’s recommendation, despite intense concern that devaluation might spark inflation. Parliament passed a law freezing wages that reached about 80% of employees, and the government maintained fiscal discipline, partly by not bailing out those who lost money in TAT. The result was a 4% drop in real wages in the second half of 1997, extremely low inflation of just 1.5% for the year, and an increase in competitiveness, exports and profits that led to 1.5% real growth.<sup>197</sup> Macedonia’s economy had adjusted quickly to external shocks, but largely at the expense of workers just one year ahead of elections. Instead of the election year boost from incipient economic growth that the government expected, VMRO’s campaign found that by mid-1998 the economy had hit “rock bottom” in terms of people’s economic expectations.<sup>198</sup>

### *Corporate Governance*

Macedonia’s strong macroeconomic policy was contrasted by weak corporate governance. Large numbers of workers continued to be employed in unprofitable enterprises because of weak bankruptcy procedures, continued bank lending to heavily

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<sup>195</sup> Ibid., 15.

<sup>196</sup> Ibid., 7, 30.

<sup>197</sup> Ibid., 7, 11.

<sup>198</sup> Macedonian official, E, interview by author, April 19, 2000, Skopje, Macedonia.



indebted enterprises and worker and management ownership of shares.<sup>199</sup> A new law, effective in May 1998, promised to improve, but not fully resolve, the limbo of bankruptcy, which was inhibiting foreign investment in bankrupt companies.<sup>200</sup> A new banking law, passed in April 1996 and effective two years later, was designed to stop banks from avoiding bankruptcy proceedings by propping up indebted enterprises with new loans and forcing banks to sell equity in companies they had acquired during the privatization process.<sup>201</sup> With privatization about 80% complete, workers and managers held a controlling interest in 87% of privatized companies by 1998, seriously undermining incentives for restructuring. An amendment to allow outsiders to purchase shares on installment and a plan by the Privatization Agency to sell packages of shares it has acquired to outside strategic investors were designed to ameliorate this situation.<sup>202</sup> All of these complex problems, however, would require long-term, multifaceted solutions.

### *Debt and International Financial Support*

Macedonia incurred little new debt since independence in comparison to other countries in Eastern Europe.<sup>203</sup> Servicing inherited debt from Yugoslavia, however, has been a significant burden after Macedonia normalized relations with the World Bank in 1994, rescheduled Paris Club debt in 1995 and agreed to accept more than 5% of Yugoslavia's London Club debt in 1997.<sup>204</sup> Macedonia began paying off its inherited

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<sup>199</sup> International Monetary Fund, 16.

<sup>200</sup> Ibid., 26.

<sup>201</sup> International Monetary Fund, 37.

<sup>202</sup> Ibid., 23.

<sup>203</sup> Ibid., 75.

<sup>204</sup> Just five of Macedonia's largest industrial enterprises owed 43% of its debt upon independence, 20% of which was owed by the enormous ferro-nickel plant "Fenimak." Michael L. Wyzan, "Macedonia," in

debt without receiving any of Yugoslavia's assets, which were held by Belgrade as international negotiations among the successor states dragged on inconclusively under the auspices of the EU.

Macedonia paid out an average of \$130 million per year in debt servicing between 1995 and 1997, exacerbating balance of payments problems. In early 1997, the World Bank and G-24 sponsored a donors conference to try to fill the balance of payments gap created by Macedonia's debt servicing. A lack of bilateral balance of payments support forced multilateral institutions to fill the majority of \$129 million in external financing in 1997.<sup>205</sup>

The West, and the United States in particular, offered little bilateral support for Macedonia's economic reforms, leaving the multilateral financial institutions to take the lead. Macedonia received no significant debt relief, as had Poland. The United States did not establish a large investment fund as it did elsewhere in Eastern Europe. In the tight personnel conditions of the Foreign Service, the U.S. embassy did not receive an economics officer until 1998. The United States did send some surplus wheat, but on commercial terms guaranteed by the Macedonian government. The EU provided some balance of payments support, but the Trade and Cooperation Agreement it signed with Macedonia in November 1997 was inferior to the Association Agreements signed with other Eastern European countries, including Bulgaria and Romania, five years earlier.

For most of the 1990s, the United States relied on multilateral institutions to conduct economic policy with Macedonia, as it had during Macedonia's first years in

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Michael L. Wyzen, ed., First Steps Toward Economic Independence: New States of the Postcommunist World (Westport, CT: Praeger, 1995), 200. Macedonians were irked that they had to repay fully debt they believed was foisted on Yugoslavia by Western investors backed by Western governments.

political and security arenas. The legacy of a lack bilateral political support for economic reformers in the early years was their marginalization and eventual removal in 1996-97, slowing Macedonia's economic transition.

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<sup>205</sup> The author led the U.S. delegation to the donors conference, participating in a day of rhetorical praise for Macedonia's success with little concrete support to back it up, and no new balance of payments support from the United States; International Monetary Fund, 74.

## Chapter VI

### New Government, Same Strategy: 1999

The formerly nationalist VMRO and the still nationalist DPA overwhelmingly defeated the Social Democrats and PDP in parliamentary elections in October and November 1998. Perhaps not so remarkably, they pursued the same strategy of openness, with some modifications, that served their political archenemies well since the first years of independence. With international help, particularly from the United States, the new government weathered what many predicted was the greatest challenge to its survival, the doomsday scenario of massive numbers of refugees fleeing a Serb crackdown in Kosovo. However, many Macedonians, and the original strategists particularly, worried that signs of international pessimism and domestic exhaustion with multiethnic democracy put the future of Macedonia's multiethnic model in doubt.

#### *Multiethnic Government*

During the election campaign, VMRO leader Georgievski assured foreigners VMRO would include ethnic Albanians in government. Georgievski was particularly sensitive to the criticism he encountered whenever he discussed interethnic issues, given VMRO's former nationalism. After the "For Changes" coalition of VMRO and a new party called Democratic Alternative won an outright majority in parliament, VMRO opened negotiations with the Democratic Party of Albanians. Democratic Alternative, the new vehicle for well-known pre-independence politician Vasil Tupukovski, claimed to be multiethnic, but had attracted negligible ethnic Albanian support.

Negotiations were not easy, as DPA leader Xhaferi sought policy commitments, albeit over the long-term, such as legalizing Tetovo University. But Xhaferi also saw a strategic opportunity. Correctly predicting tensions in the "For Changes" coalition between Georgievski and Tupurkovski, who vied for preeminence, Xhaferi saw an increasingly influential role for DPA in maintaining the coalition's majority in parliament. When VMRO broke its pledge to support Tupurkovski for President in 1999, Xhaferi ensured that VMRO's candidate, Boris Trajkovski, won with an extraordinary level of ethnic Albanian support (in some cases exceeding voter registration, according to international observers). VMRO and DPA thus depended on each other to remain in office, as the Social Democrats had depended on the PDP. Xhaferi put ethnic Albanian autonomy on hold, probably to see how Kosovo would develop.

### *Relations with Neighbors*

The new government had less need for using relations with neighbors to protect it from nationalist attack. Much as Nixon was able to travel to China, VMRO quickly improved relations with Bulgaria and Greece without worrying about accusations of selling out ethnic Macedonian interests. Macedonia and Bulgaria 'resolved' the dispute over national identity with a vague formulation for signing treaties. Believing it had received assurances of Macedonian flexibility regarding its name and interest in ethnic Macedonians in its north, Greece became Macedonia's number one foreign investor.

The new government's antagonism to Serbia, which could have been dangerous in earlier days, was now concretely supported by a NATO deployment. While leaders were extremely anxious that NATO air strikes would provoke Serb retaliation in

Macedonia, NATO's growing deployment on the ground eventually assured them. DPA leader Xhaferi ensured that relations with Kosovo and Albania were good.

### *Western Involvement*

The new government relied even more heavily on international engagement, particularly in the context of Kosovo, than had its predecessor, provoking some domestic criticism that NATO, UNHCR, the World Bank and IMF were really running the country. To its credit, the government recognized that the flood of hundreds of thousands of refugees and the Serb security threat far exceeded its ability to cope. While the government's heavy handed demands for assistance provoked frustration within the international community, its strategy remained consistently to involve the West in domestic affairs.

### *Euro-Atlantic Integration*

The new government was adamantly committed to membership in the EU and NATO, as was its predecessor, and particularly wanted signs of support to counter domestic criticism that the influx of refugees would destroy Macedonia. Officials were thus outraged that a draft declaration on aspiring members to be issued at the Washington NATO Summit in April relegated Macedonia, along with Albania, to a category separate from more serious regional candidates such as Bulgaria and Romania. The government argued, perhaps too energetically for the tastes of NATO diplomats, that it had virtually turned over its country to NATO and was suffering enormous economic and political

costs due to the conflict in Kosovo. After much discussion, NATO diplomats agreed to put Macedonia in the same category as other contenders, though clearly beneath them.

### *Economic Openness*

The "For Changes" coalition based its campaign on improving the economy and promised to move quickly to open Macedonia further to trade and investment. It quickly signed several new free trade agreements and put state owned companies up for sale. Interest remained muted, but the government was more open to investment from Greek state companies than its predecessor, and several deals emerged, including for Greece to purchase Skopje's massive oil refinery.

The IMF had predicted a five percent contraction in output in 1999, largely due to a collapse in trade to and through Serbia as a result of the conflict in Kosovo. Preliminary data after year's end indicated instead growth of over two percent, much of it due to rapid growth in the service sector as a result of the extraordinary demand of thousands of foreigners based in Macedonia and working in Kosovo.

### Doomsday Scenario: Kosovo

Within days of the commencement of NATO airstrikes against Serbian targets in Kosovo, a steady stream of refugees into Macedonia turned into a torrent. A visit to the border with Kosovo, just twenty minute's drive from Skopje, unveiled an unreal image of some ten thousand Kosovars gathered in a previously verdant valley.<sup>206</sup> Most had been rounded up and packed on trains in Kosovo's cities, then disgorged with virtually no belongings at Macedonia's border. Besides a handful of border police, there was initially

no security to manage the remarkably passive crowd, nor to prevent the refugees from simply walking to Skopje.

As the numbers of refugees entering Macedonia swelled to tens and ultimately hundreds of thousands, the ethnically divided coalition government could not respond with a unified policy. The VMRO-led coalition was paralyzed, absolutely inexperienced in peacetime governance let alone under siege of refugees, and expected the international community to take care of the problem by resettling refugees outside the region, as had occurred in Bosnia. The international refugee community had no prepared policy to meet the magnitude of the problem.

Many international and bilateral refugee officials, including from the United States, expected NGOs to respond to the crisis, although few NGOs were set up inside Macedonia. The United Nations High Commissioner for Refugees did not seek to engage the government on the problem. Instead, UNHCR publicly reminded the government of its international responsibilities and denounced several temporary closures of the overwhelmed border and other government missteps. Macedonians were astounded that the international community, having recognized the threat to Macedonia's survival of a Serb crack-down in Kosovo for nearly eight years, had no adequate plan for meeting the crisis.

Meanwhile, the Democratic Party of Albanians organized at the village level to provide housing for many refugees. A steady stream of volunteer taxis transported refugees from the border area to homes in western Macedonia, where frequently a dozen refugees joined already crowded living conditions in a single home. Ethnic Macedonians feared that refugees would settle permanently in Macedonia, instead of returning to

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<sup>206</sup> Author's observation.



uncertainty in Kosovo. Indeed, many wondered if DPA's resettlement assistance was not aimed at boosting the ethnic Albanian population in Macedonia.

The day after the bombing began, ethnic Serbs, whose leaders were closely connected to nationalists in Belgrade, formed the core of a crowd that overran the lightly guarded U.S. Embassy compound, burned a dozen vehicles and attempted to breach the chancery. Forty embassy employees, including Ambassador Hill, took refuge in the basement communications center, worried that the crowd would succeed in setting fire to the chancery. U.S. troops from Macedonia's northern border, along with delayed reinforcements to Macedonian police, intervened to chase off the protesters.<sup>207</sup> The Embassy was quickly restored and guarded by a U.S. Marine Expeditionary Unit. Macedonians reacted with shock and shame to the incident, as they had to previous instances of ethnic violence.

Ordinary Macedonians had conflicted views of NATO's bombing and the refugees. On one hand, the sound of NATO planes overhead left Macedonians afraid that NATO might strike Serb targets and withdraw, leaving Macedonia open to retaliation, similar to the irresolute international approach to Bosnia or the effect of more recent strikes against Baghdad. Some political leaders sought assurances that NATO would 'finish the job.'

On the other hand, both ethnic Macedonians and ethnic Albanians had friends and relatives in imminent danger of NATO's air strikes. A Macedonian government employee told the author that her colleagues, which included ethnic Serbs, Albanians and Macedonians, collectively held their breath for the day that one of their family members

in Serbia or Kosovo would be killed. Many ethnic Macedonians believed the Kosovo Liberation Army had provoked Serb aggression, NATO intervention, and, ultimately, the expulsion of refugees. For their part, Macedonia's ethnic Albanians were remarkably quiet, probably due to their leaders strategic interest in keeping international attention on Kosovo and ethnic Albanian ambivalence over involving itself in Kosovo's troubles.

As the government teetered amidst these pressures, Deputy Secretary of State Strobe Talbott visited with an interagency team April 3 for consultations. Talbott publicly asserted U.S. support for Macedonia's reception of refugees, pledged to implement a program offering refugees third country resettlement, including in the United States, and received Macedonian assurances of keeping the border open and, most importantly, to allow NATO and relief agencies to construct refugee camps. By the next afternoon, the first refugees were moved from the mud pit at the border to a tent site efficiently constructed by a British NATO unit. Within days, the first refugees were flown to Turkey, though not without incident.<sup>208</sup>

Ethnic peace in Macedonia could only be assured, however, if the government, composed of Macedonia's two most nationalist parties, was able to cope with the crisis. In the ensuing weeks, the U.S. Embassy conspicuously supported the Macedonian government's often dysfunctional efforts to provide for the refugees, frequently in the midst of international criticism of the government for its missteps. All sections and agencies of the embassy dropped regular work to support the refugee effort. Embassy representatives put together incoming officials from UNHCR, International Organization

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<sup>207</sup> The crowd roamed Skopje's streets for several hours, throwing rocks at the building housing the British and German embassies and the USAID mission, but was repelled by Macedonian authorities from marching on the U.S. Ambassador's residence, where many embassy employees had taken refuge.

for Migration and key NGOs with senior Macedonian officials to establish communications. The Embassy established weekly open meetings between Macedonian and relief officials, presided over by Macedonia's Deputy Foreign Minister (and later President) Trajkovski and Ambassador Hill.<sup>209</sup> The Embassy also organized, together with Macedonian counterparts, two "Buy Macedonia" fairs to display Macedonian products available locally to relief agencies. Several Macedonian companies were saved from bankruptcy, due to the sudden cut off in trade with Serbia, by winning contracts to supply relief agencies.

The doomsday scenario of massive numbers of refugees in the end did not trigger ethnic conflict in Macedonia for several reasons. First, the bloody conflict in Kosovo strengthened the strategic interests of both major ethnic groups to avoid violence. Second, NATO's presence in Macedonia prevented Serb intervention and obviated any lingering chance that such intervention would trigger counter-interventions by Macedonia's other neighbors. Macedonia's new multiethnic government cut two ways. On one hand, the presence of nationalist leaders of both major ethnic groups inside government meant there were no plausible leaders for street demonstrations that could have accelerated ethnic tensions. On the other, the weakness of the governing coalition meant it was in danger of breaking up over the crisis, which would have incited tensions amidst extreme uncertainty. Two factors among several international efforts to support the government were essential to its survival: the weekly policy meetings that created a

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<sup>208</sup> Human rights organizations protested that some of the first refugees relocated to Turkey were not told where they were going. Part of the problem was that international refugee officials had not arrived in country to start the program.

<sup>209</sup> A senior Macedonian official later said these meetings were key to the government's ability to weather the crisis.

more constructive relationship between Macedonian officials and refugee officials and third country resettlements of refugees.<sup>210</sup> The United States led both efforts.

#### The Future of the Macedonia's Multiethnic Strategy?

Macedonians finished the 1990s proud of their accomplishments, yet uncertain of their future. They had little choice but to create the Balkan's only self-avowed multiethnic democracy, but many questioned the international value of that act by the end of the decade. The effect of events in Kosovo, as one remarked, was "collateral damage to multiethnic democracy," undermining the concept of multiethnic democracy.<sup>211</sup> Albanian nationalism and the possibility of a greater Albania appeared stronger than at anytime since early 1992. Many Macedonians understood NATO's action against Serbia, but wondered why intervention essentially on one side in an inter-ethnic conflict was not followed with a more forceful strategy to reign in the other.

Meanwhile, foreigners appeared unclear on their intentions regarding multiethnic democracy. International recognition of Macedonia did not appear to be final, symbolized by the continued reluctance of Western powers, including the United States, to acknowledge Macedonia's constitutional name. Macedonia remained behind Romania and Bulgaria in its goal of joining the EU and NATO, and even Croatia under a new government appeared likely to leapfrog ahead. Increasing numbers of international visitors questioned the longevity of Macedonia's multiethnic model, and respected

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<sup>210</sup> Macedonian official, D, interview by author, April 19, 2000, Skopje, Macedonia.

<sup>211</sup> Macedonian businessperson, A, interview by author, April 19, Skopje, Macedonia.

analysts proposed partition.<sup>212</sup> The OSCE mission remained without an exit strategy. It appeared that few understood the road Macedonia had traveled.

In over eight years, Macedonia had demonstrated the viability of a multiethnic model, supported by a coherent strategy. By the end of the decade, however, the international community seemed somewhat ambivalent over the value of that model. Increasing EU and NATO engagement in the Southern Balkans left grounds for optimism that international appreciation and support for Macedonia's strategy would grow. Without such support, Macedonia's future would be uncertain.

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<sup>212</sup> See John J. Mearsheimer and Stephen Van Evera, "Redraw the Map, Stop the Killing," The New York Times, April 19, 1999 <http://www.nytimes.com/yf/mo/day/oped/19mear.html> (May 7, 2000)

## Chapter VII

### Conclusions: Implications for U.S. Foreign Policy

The circumstances of Macedonia's survival through the 1990s were unique. Nevertheless, the case has implications for several important issues confronting U.S. foreign policy, perhaps particularly in the European context, as well as issues in the literature on ethnic conflict and preventive diplomacy. The Macedonia case provides insights into assessing and reacting to ethnic discord, employing preventive diplomacy, encouraging states to accept international norms on minority rights, developing exit strategies for international monitoring missions, the influence of domestic politics on U.S. foreign policy and the appropriate U.S. role in ethnically divided states.

#### Assessing and Reacting to Ethnically Divided States

The United States needs to analyze a variety of factors to assess a country's vulnerability to ethnic conflict, some of which can be influenced. The literature on ethnic conflict describes most of these factors and should be consulted, although practitioners may find it daunting. But theory is far from prescribing which factors are most important in any individual case, nor what the most effective responses may be. These are areas for further research.

The historical development of ethnic identities and interests are clearly important considerations for assessing the likelihood of ethnic conflict. Macedonia's major ethnic groups legitimately feared the future—ethnic Albanians feared repression while ethnic Macedonians feared separatism—yet both had strategic reasons to avoid conflict: ethnic

Macedonians did not want to jeopardize their first state; ethnic Albanians wanted to preserve their relatively good livelihoods in Macedonia, while those that supported a greater Albania prioritized independence for Kosovo over change in Macedonia.

Immediate precedents are also important. The legacy of mutual fear and ethnic Macedonian repression of the 1980s fueled ethnic tensions, but the bloody conflicts in Croatia, Bosnia and Kosovo appear to have led both ethnic groups to step back from violent conflict.

The United States needs to understand a country's formal or informal ethnic contract, which provides stability and predictability to interethnic relations. Macedonia's ethnic contract consisted of an understanding that Albanians could improve their status by working within the institutional framework of the constitution, buttressed by a political strategy of multiethnic coalition and increasing minority representation in government and education. Tetovo University and the flying of the Albanian flag at the mayors' offices in Gostivar and Tetovo were efforts to change the ethnic contract. Both issues were unfortunately muddled by the overreaction of Macedonian authorities, which constrained the United States and others from more actively seeking to reassert Macedonia's ethnic contract. In the end, dynamic models of interaction among ethnic groups, usefully described in the literature, indicated that ethnic Macedonians were simply too weak, domestically and internationally, to repress ethnic Albanians.

The United States also needs to appreciate how the future appears to each ethnic group, as the work by Posen, Lake, Rothchild and others suggests. The international community appropriately focussed on overcoming ethnic Albanians' fears of living as a minority in a Macedonian state by working to improve their minority rights. An

unintended consequence of this focus was further encouraging ethnic Albanians to mobilize along ethnic lines to achieve political aims,<sup>213</sup> as the international acceptance of the nationalist Democratic Party of Albanians indicated. Less well understood were ethnic Macedonians' fears of the future. The transition to a market economy was generally more threatening to ethnic Macedonians than Albanians. Tetovo University generated fear among ethnic Macedonians because it threatened to institutionalize a completely separate system of education for ethnic Albanians, as had occurred in Kosovo, which they saw as a prelude to the separation of western Macedonia and the death of the new Macedonian state. The OSCE's High Commissioner for National Minorities, Max van der Stoep, increasingly appreciated these fears and adopted a gradual approach to channel ethnic Albanians' commitment to Tetovo University into a solution that would provide real educational opportunities for ethnic Albanians and Macedonians alike.

A strategy of political and economic openness can be an effective response to ethnic discord, as it was in Macedonia, one that is not emphasized in the literature on ethnic conflict or preventive diplomacy. Such a strategy can provide ethnic groups opportunities, such as economic improvement and access to international actors, that offer hope instead of fear of the future. Such a strategy makes a country more likely to conform to international norms on minority rights, which can help manage ethnic discord. Such strategies probably must be homegrown to be effective, as it was in Macedonia, but the United States may be able to encourage those who wish to avoid ethnic conflict, including non-governmental actors, to develop such a strategy where it is absent.

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<sup>213</sup> Michael S. Lund, "Preventive Diplomacy for Macedonia, 1992-1999: From Containment to Nation Building," in Opportunities Missed, Opportunities Seized: Preventive Diplomacy in the Post-Cold War



In Macedonia, the United States and other powers could have helped de-emphasize ethnic politics and better addressed the fears of both major ethnic groups by providing earlier, greater economic support, in the form of trade agreements, investment promotion and foreign assistance. Ethnic Macedonians needed help making the transition from working in failing state enterprises, while ethnic Albanians needed to be convinced that the country held out economic promise for them. The U.S. government began to act on this concept in 1998, about five years later than needed, and with relatively few resources. As two proponents of preventive diplomacy point out, an economic angle is vital.<sup>214</sup>

It is also vital for the United States to help control regional conditions that could exacerbate or even trigger ethnic conflict. The United States cautioned the government in Tirana on more than one occasion not to support separatism, complementing Macedonian efforts to maintain friendly relations. The Macedonian government managed to remain on relatively good terms with Belgrade, while the United States sent a strong 'hands off' message by deploying U.S. troops to UNPREDEP. The United States also helped build Macedonia's defensive capabilities.

### The United States and Preventive Diplomacy

This paper's analysis, as well as many other studies, supports the conclusion that preventive diplomacy was instrumental in avoiding violent conflict in Macedonia.<sup>215</sup>

While Stedman's critique correctly cautions that preventive diplomacy may not always

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World, ed. Bruce W. Jentleson (Lanham, MD: Rowman and Littlefield 2000), 174.

<sup>214</sup> Ibid., 207; Alice Ackerman, Making Peace Prevail: Preventing Violent Conflict in Macedonia (Syracuse University Press 2000), 121.

<sup>215</sup> See Lund and Ackerman, for example.

work, Macedonia confirms Lund's conclusion that it can work and is cost effective. As Lund's framework proposes, U.S. support in Macedonia was key, though a variety of international actors contributed, including international organizations, non-governmental organizations and bilateral actors. The bilateral role in preventive diplomacy is not always sufficiently recognized, and at least one study of preventive diplomacy in Macedonia virtually omits any discussion of bilateral efforts.<sup>216</sup> The important role the U.S. embassy played in maintaining Macedonia's interethnic coalition, 'denationalizing' VMRO and, most consequentially, supporting the country and its government through the refugee crisis belies this omission. The United States has an important bilateral role to play in preventing ethnic conflicts.

The Macedonia case indicates that preventive diplomacy may succeed best when domestic leaders are not just moderate, as Lund and Ackerman's preventive diplomacy models suggest, but proactively seek international involvement in ethnic disputes. While Macedonia's leaders were arguably 'moderate,' they were better described as committed, often fervently so, to a strategy designed to avoid ethnic conflict. 'Moderate' leaders may nevertheless curtail the activities of international actors in the name of sovereignty. Macedonia voluntarily waived its sovereignty to gain international assistance.<sup>217</sup>

#### An International Regime for New or Recovering States...

The Macedonia case provides insight into the possible benefits of a stricter international regime for recognizing new or recovering states as full members of the international community. Macedonia had to earn its international recognition as few

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<sup>216</sup> See Ackerman.

other states have. In the process, Macedonia adopted and complied with an extraordinary array of international conditions and conventions, beginning with those of the Badinter Commission in early 1992. As the years progressed, this policy appeared to acquire roots in Macedonia. The entire political spectrum seemed to conclude that becoming a member of the international community was inextricably linked to conforming to the entire gamut of international norms of democracy and minority rights.

As one observer has put it, "Perhaps the birth of a state should not be too easy."<sup>218</sup> In 1992, two observers proposed that failed states be placed under a United Nations "conservatorship" to help them reestablish government authority before rejoining the ranks of fully sovereign countries.<sup>219</sup> "Conservatorship" is probably not feasible, since it conjures images of world government and may smack of colonialism, though the UN's role in Kosovo resembles the concept. It may be more useful to strengthen the emerging international norm that countries must protect minority rights to enjoy normal diplomatic interactions, something akin to the international norm on free and fair elections.

#### ...Followed by a Gradual Reduction in International Monitoring

Macedonia's growing impatience with international monitoring missions in the second half of the decade indicates that international preventive missions should develop constructive exit strategies, instead of hanging on past their useful life. It is not surprising that domestic politics eventually calls for local leaders to take responsibility

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<sup>217</sup> Lund recognizes that the Macedonians' request for preventive measures was "possibly the sine qua non of the international missions." Lund, 206.

<sup>218</sup> Robert A. Sorenson, "Muddling Through the Macedonian Question at Century's End, (Unpublished research paper, The Hoover Institute, Stanford, CA: 2000), 18.

<sup>219</sup> Gerald B. Helman and Steven R. Ratner, "Saving Failed States," Foreign Policy, Winter 1992-93, 12.

for managing local conflicts. Indeed, the international community should encourage that tendency, not fret over it.<sup>220</sup>

The United States should take the lead in developing such constructive exit strategies. One such strategy in Macedonia could be for the OSCE to negotiate the departure of its mission, contingent upon progress in fulfilling Macedonia's ethnic contract. The mission would automatically return if several clearly defined measures indicated that the country's commitment to minority rights was slipping, such as lack of progress in affirmative action measures to increase minority representation in the civil service, police, military and education. This is an area for future research.

#### Domestic Politics and Foreign Policy

The United States ran its greatest risk in Macedonia when, twice in the Bush administration and in the early years of the Clinton administration, it deferred to its domestic Greek lobby, Greece and the EU in declining to recognize the vulnerable new country. While postponing recognition probably encouraged Macedonia to more fully adopt international minority rights, as discussed above, that was not the reason for U.S. policy. Many U.S. and Macedonian officials regarded the U.S. position as shameful, particularly for a superpower.<sup>221</sup> While understanding that domestic politics influences foreign policy, particularly in the United States, these officials believed that this instance was unusually excessive.

The United States partially compensated for its lack of recognition by appointing senior U.S. officials as the first three heads of the OSCE mission and deploying troops to

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<sup>220</sup> See Ackerman, 179.

Macedonia (though there were other reasons for deploying troops, as we have seen). The success of preventive diplomacy in Macedonia, however, obscured the U.S. failure to establish traditional diplomacy through a bilateral embassy. The United States was also slow to engage with other Balkan countries, for a number of reasons, including the sheer number of high priority foreign policy issues. The Bosnian war overshadowed other Balkan issues, the transition between the Bush and Clinton administrations slowed U.S. reactions in late 1992 and early 1993, and 40 new diplomatic missions were opened in the early 1990s with virtually no additional funding.

Yet in Macedonia, the Greek veto resulted in a much longer period of bilateral disengagement. The first bilateral U.S. mission was established almost three years after independence and the first ambassador sent two years later still. This occurred in a country of sufficient strategic importance to deploy U.S. troops, and also the Balkan state most open to U.S. influence. A key moment for helping consolidate economic and political reforms in the early 1990s was thus largely missed. Macedonia would have stood a much better chance of being truly regarded in the West as a multiethnic model in the Balkans had bilateral embassies been active in the early years before politics clouded Macedonia's record. The lack of recognition was corrected by 1996, but its legacy was not. Foreign policy establishments of the United States and other countries largely missed the formative chapters of Macedonia's internal development, and never fully understood the strategic direction of Macedonia's development. More than once during the Kosovo crisis, senior Macedonian officials asked the author how international

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<sup>221</sup> U.S. diplomat, D, telephone interview by author, May 24, 2000; Macedonian politician, C, interview by author, April 17, 2000, Skopje, Macedonia. There are many others.

representatives could, after eight years, still not understand Macedonia's approach to ethnic issues. Missing the beginning of the story was part of the reason.

### The U.S. Role in Ethnically Divided Countries

Macedonians often stressed that, despite early U.S. stumbling regarding recognition, the United States, as a multicultural country, was much better able to appreciate the dilemmas of a multiethnic country than the largely homogeneous major powers of Europe. It was clear to this author from three years observing U.S. and European policy in Macedonia, that the United States was much better equipped to deal constructively with ethnic problems than its European allies. The difference was in both tone and substance. Europeans were much more likely to view ethnicity as a primordial identity that needed to be accommodated. Americans, on the other hand, tended to compare Macedonia's ethnic disputes to their own country's experiences with racial conflicts. Indeed, some American disputes were not so different from Macedonia's, including language and education tensions in Florida and the Southwest, heavy handed police responses to racial tensions, the dispute over the confederate flag in South Carolina. Americans thus often had a greater appreciation for the complexities and emotions of Macedonia's ethnic conflicts, as well as more patience for relying on a strategy to resolve them. Perhaps the United States has a special responsibility toward ethnically vulnerable states, not just as the world's only superpower, but also as its only major multicultural power.

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